

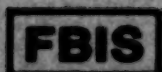
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28 December 1979

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 1967



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NEED TO INCREASE LABOR PRODUCTIVITY STRESSED

Tirana RRUGA E PARTISE in Albanian Aug 79 pp 17-29

[Article by Qimo Kocani: "Improving Labor Productivity Is an Important Task of the Party's Work in the Field of the Economy"]

Problems Discussed at recent Plenums of the Central Committee of the Albanian Workers Party.

[Text] The party and Comrade Enver Hoxha teach us that the growth rates of labor productivity define, in a considerable way, the level of national incomes, the level of socialist accumulation, as well as the dimensions and proportions of the different areas of expanded socialist reproduction. Our nation, in spite of the high rates of population growth, especially in that sector of the population that is able to work, continues to have a limited source of human resources, as compared to the needs of rapid economic and social growth. This situation dictates the need to raise labor productivity. This problem becomes even more important, now and for the future, in conditions in which the economic and social development of the country is based solely on our own material resources and capabilities and on our own material, financial, monetary and human resources. Under such conditions an increase in labor productivity can create the necessary domestic sources of accumulation to assure a rapid rate of growth of the social product and to successfully overcome, as always, the difficulties which are created for us by the imperialist-revisionist blockade and encirclement, the hostile activities of the imperialists and social-imperialists, as well as the influences of the economic and financial crises of the capitalist, bourgeois and revisionist world.

The party has created and has implemented and continues to implement a correct policy to raise labor productivity in industry as well as in other branches of the economy. The party is aware of the material conditions as well as the subjective factors which help influence savings in labor and material and help the rapid growth of social production. Our socialist society is and always has been very interested in labor savings, that is to say, in producing as much as possible in a unit of time. At the same

time the party is interested in lowering material production costs for each unit of finished product, in order to derive from raw materials as many finished products as possible of value and durability.

Our socialist system has the capabilities for continually improving labor productivity. The existence of the dictatorship of the proletariat and the influence of the socialist property on the means of production, the disappearance of the exploitation of one person by another, the transition to free and conscientious work for oneself and for society, replacing work disciplines based on fear and whip under capitalism with the conscientious proletarian discipline, under socialism the disappearance of conditions, which, under capitalism, hinder the implementation of new scientific and technical methods in production, creating the capabilities, under socialism, for implementing the very best that world culture, science and technology have created, replacing the anarchy of the capitalist and revisionist development by a planned, proportion socialist economy gives indisputable superiority to the socialist order in increasing labor productivity at a rapid pace.

In order to increase labor productivity it is absolutely necessary, as V. I. Lenin has stressed, to assure the material bases of heavy industry: to develop the production of fuels, iron and steel, the machine building industry and the chemical industry. Our country has mineral reserves (iron, nickel, chrome, copper etc.), fuel reserves (coal, petroleum and gas), large resources of water power and raw materials for the chemical industry, etc.

The whole line, policy and struggle of the party for the socialist industrialization of the country has been concentrated on discovering, extracting and processing minerals and fuels, raw materials for the chemical industry and on developing the machine building industry, and so on. Our party has implemented this line and this policy in the fierce struggle against enemies inside and outside the country, against revisionists of all colors who wanted Albania to remain an agricultural country, a source of raw materials and a market for the sale of their own industrial goods.

The correctness of the party line, policy and struggle is seen in all the experience of our socialist construction. It is seen in the results achieved in the socialist industrialization of the country, the creation of new branches of industry, the collectivization and progress of socialist agriculture and in the constant increase in the level of the technical equipping of the different branches of the economy. Overcoming the technical backwardness inherited from the anti-popular regimes of the past, an increased awareness in the masses and the increase in the level of their cultural and technical training have all been accompanied by the increasing of labor productivity. The results and the experiences achieved in this field are a sound basis for moving even further ahead. In this regard, the deep analysis of the results and the experiences achieved, the completion of studies to discover and handle the reserves and capabilities which

exist for further growth in labor productivity constitute one of the most important tasks for the rapid development of the economy. This becomes even more necessary for those branches of production which have fallen behind in fulfilling productivity tasks.

The fulfillment of the tasks of increasing labor productivity in the petroleum industry, for example, is closely connected with the work for the adoption of techniques and technology for the extraction of petroleum and gas, for the effective use of intensive work methods for the rigorous implementation of technological methods in the exploitation of wells and so on. Increasing the effective use of work time in probing and drilling, speeding up the monthly probe work, reducing the time of assembling and dismounting the probes and eliminating slowdowns are some factors which, to a considerable extent, define the fulfillment of the duties for increasing labor productivity in this important branch of our industry. The proper handling of these matters is also dependent on the work of the responsible state and economic organizations and on the Ministry of Industry and Mines, to see that the technical and scientific disciplines are enforced to strengthen the workers and to continuously raise the level of their skills.

The coal mining and enrichment industry has developed considerably. New mining sites are being put into use. The number of workers in this sector is growing rapidly. Under such conditions the assurance of the necessary labor force, the enforcement of work discipline, and an improvement in the annual balance sheet of work hours for each miner, are absolutely necessary in order to fulfill the tasks for raising labor productivity. It is also important for the state organs in the district not to change their principal workers in the coal mines every year, as it happens in some districts, but to assure for continuity of their work for a long time. This is a necessary condition for the continued training of the workers and for broader and more effective use of machines and mechanisms in coal mining and in mine working.

Possibilities have existed and still exist for fulfilling the task of raising labor productivity in the food industry. In order to fully use the productive capabilities of this industry, it is necessary to insist on more efficient work on the part of the managers of enterprises, so they supervise more closely the work that is being done in agriculture for the production on time, in adequate quantity, with the proper variety of raw materials planned for industrializations and to insure that both machinery and parts are in working conditions in all seasons, so that products can be processed in peak periods and the season for processing will be extended. Other districts should implement the experience of the food enterprise in Pogradec, which in cooperation with the agricultural enterprise has organized the placement of workers in agricultural work in periods when industry has less work. The government organizations in the districts must not be allowed to keep workers above the planned quota, without justification by production, according to the productivity plan.

In the construction sector much remains to be done to raise the labor productivity of the workers according to the specified duties. This is closely connected to the effective measures which must be taken to better organize the work in the construction sites, to supply the work fronts on time and without delays with the necessary materials in quantity and quality; to see that full use is made of construction machinery and equipment, because in some enterprises the planned indicators for their utilization are not fully carried out.

Problems of this kind exist in the new projects which have been and are under construction. The solution to these problems depends to a great extent on demanding greater accountability and having more control over technical, technological and scientific discipline in the development of the production process. All economic and state organizations, in different sectors of management are responsible for raising labor productivity. This is especially necessary in the agricultural sector where large reserves which exist and become concrete in progressive experience, are not properly utilized to achieve high yields in different agricultural crops, and to raise labor productivity in this important branch of our economy. It is important for the workers in agriculture to do higher quality work according to the demands of the agrotechnical code, without permitting damage and violations.

It is important to understand that the failure to execute tasks in the field of raising labor productivity obstructs the rapid development of the social product. If weaknesses and deficiencies are not prevented in this area they will create dislocations, which cannot help but negatively influence the stability of the economy and the stand against the imperialist-revisionist encirclement and blockade. The party has never and will never allow this situation to exist. Therefore, the problems that have to do with achieving the duties of raising labor productivity are among the most important goals in the work of the party in the field of economic development, so that every enterprise and cooperative, in every sector of the economy, must coordinate and correctly apply factors which will assure an increase in labor productivity.

Man is the deciding factor, therefore, it is necessary to work with each one so that he is convinced and self-motivated to continue to raise the effectiveness of his own work; to use his working hours as wisely as possible and to continue to improve the level of his professional skills. In the same way, better organization of work is demanded at the brigade, shift, department and enterprise levels, where each one should have a good knowledge of his duties in raising labor productivity, to see that every worker is assured a regular supply of material and the necessary tools at his place of work, and each one compensated fairly and regularly, according to the quality and quantity of work completed, measured and controlled.

The full utilization of working hours in every enterprise, institution and agricultural cooperative is one of the important goals of party work in raising labor productivity.

In our country there has been a great change in the attitude of people towards work, in the cities and the villages. This attitude must not and cannot be allowed to create self-satisfaction, or a feeling of complacency and final achievement, because there still remain possibilities and reserves for a more productive use of the working hours.

In the agricultural cooperative of Donofrose, in Berat District, every member of the cooperative works the equivalent of 164 work days more than in the Topojani agricultural cooperative in Kukes, and the equivalent of 155 work days more and in the Okshtuni agricultural cooperative in Diber. Differences of this kind in the utilization of work time exist in agricultural cooperatives in other districts. Neither climatic nor regional differences can justify such considerable differences. These have to do, principally, with the organization and management of work by the members of agricultural cooperatives and their tolerance of this kind of situation. In the Donofrose agricultural cooperative, explanatory and political work to understand the situation and tasks which the members of the cooperative have to face to strengthen discipline and the socialist attitude towards work is accompanied by a request, to every brigade, to account for the absence of anyone without a proper excuse, to distribute the labor force fairly, to control the finished work of everyone, to calculate fairly the work compensation due to each man, etc. The managers of those cooperatives that have not properly utilized work time, can learn, from and improve their work from the experience of this cooperative, as well as from the experience of other progressive agricultural economies.

In enterprises in Korce District, in the first quarter of 1979, every worker worked an average of 2.5 days more than he did during the same period last year. This improvement in the utilization of the working time is the result of measures taken to decrease unnecessary absences, limit administrative leave, lower temporary incapacity for work, strengthen the educational work with the workers, so that everyone will value and use their time effectively, fighting against such mistaken ideas as "others are absent more often," "I am hurting my own pocket, it is none of your business" etc. While it is a fact that wherever these concepts and attitudes are underestimated, and are not properly opposed, but are fed by the pressures of the bourgeois-revisionist ideologies they become obstacles in the effective use of work time. It must not be forgotten that the number of people employed has risen considerably. Under these conditions, even if one percent of them are absent from work, it will mean the loss of work of thousands of people. Therefore it is necessary to realize that breakdowns in the work discipline, no matter how minor, must be taken more seriously by the basic party organizations, by the economic and state organizations, by the trade union organizations

and by the other mass organizations. It is the duty and function of the state organizations to take the necessary measures and to struggle with determination, without recoiling in the face of difficulties, to institute everywhere a conscientious proletarian discipline, which is the characteristic of the working class, a necessity for the dictatorship of the proletariat and the socialist style of production.

In practice there are different reasons for the useless waste of work time. There are instances when workers come to work late and leave early, in some cases, they leave without waiting for the shift replacement. In some enterprises, even the eight-hour work day is not fully utilized, because of work interruptions and the purposeless movement to and from the various departments. The worst of it is that these foreign manifestations are allowed to exist without hindrance, and are considered "small," "unimportant" things.

The party recommends that we stand firm against manifestations which lead to the violation of discipline and to the improper utilization of work time because only their thorough analysis can result in a more skilled and more objective work, leading to the coordination of all the measures which will influence the improvement of the situation. Such an analysis would, for example, bring out the fact that special educational work with the workers to make them serve as examples of the implementation of proletarian discipline is not enough; it must be preceded and accompanied by the example of the managers, the principal cadres in production and all administration members responsible for implementing the tasks. It is requested that they remain involved with work every day and every hour, taking turns in three shifts, ensuring continued production and supplying the different sections, sectors and workyards with the necessary materials, while strengthening the feeling of responsibility, support, control and demanding an accounting of the work done.

Experience shows that a complete and productive utilization of work time is closely connected to the process of work norms. The more scientific and studied the work norms, the better and more effective the utilization of time by each worker. Studies made in some branches of industry show that a one percent rise in work norms, assures a rise in work productivity of .5 percent to .9 percent.

It is a fact that we are working towards this end. In the enterprises of the Ministry of Light Industry and the Food Industry in the first six months of 1979, the norms in 22,000 processes, when examined, were found to have improved on an average of 3 to 20 percent. There are good results in other sectors of the economy. However, the present stage of the intensive development of industry and other branches of the economy demand that the work norms be perfected and that technical norms be instituted everywhere. It is necessary that work norms be extended to every phase of the economy, so

that they will be studied and the complete utilization of the productive capacity of machines and equipment, the complete use of the work time, an increase in the quality of production, the rational use of raw materials and other materials, and so on will be assured. It is necessary for the enterprises and the agricultural cooperatives, the executive committees of the people's councils in the districts, the ministries and other central institutions to carry out an intensive and skilled work in this field.

Above all, it is necessary to understand this problem correctly and to solve it at the root. In order to broaden the technical work norms it is necessary, first of all, to relinquish some misconceptions which, willingly or unwillingly, obstruct the work of strengthening the socialist organization of work and the correct implementation of the socialist principle of compensation according to work accomplished, such as the "worries" which are expressed by some that "if technical work norms are established and the planned production is realized by using fewer workers, what will happen to those workers that are not needed," or "when raw materials and materials for expansion are assured for higher productivity which will result in fulfilling higher work norms." This is all useless and baseless worry. In our country the economy develops, new sectors of work are created and social productivity grows at a rapid pace. Every year in agriculture, the mines, in construction and industry, and in other branches of the economy thousands of new jobs are created, more jobs than there are workers to fill them. Our economy is capable of assuring the normal continuity of production and it would have no difficulty in supplying more raw materials if they are needed to increase productivity. Only managers who cannot be bothered to think can believe differently. Even the sentimental thoughts of some people who say, "if technical norms are established, the workers wages and those of the members of the cooperatives will be reduced" will not stand up, because, as experience has proved, the workers and members of the cooperatives have improved their skills, have raised their labor productivity and have fulfilled and surpassed work norms every time that they have been raised.

However, setting work norms based on technical standards requires careful, programmed and organized work, supported by studies on the part of all the personnel involved in enterprises and agricultural cooperatives. It is not possible to progress and achieve the objectives defined by the party, if work continues to be inferior or superficial. The party has emphasized that establishing technical work norms requires studies, observations, chronometry, photography and different calculations, and on this basis, results are achieved for establishing technical norms and for re-examining and improving the statistical norms. When work is carried out in this manner, it becomes clear that there is no place for bargaining over the review and extent of norms. Arguments, numbers and results which are derived from studies prevent excessive words and unnecessary confusion. This also means that the people responsible for setting norms must not concern themselves only with the recording of work completed and the calculation of a workers pay. The responsibility of the norm setter is to program and realize

measures for broadening the work with technical norms, to re-examine norms based on progressive averages, for the correct implementation of norms and to control the accuracy of the finished work in quantity and quality etc.

The work norms are not the responsibility of the norm setter alone. They must be refined, improved and supported by the managers of production, by employees in technical and technological offices and by the employees in the planning and finance office.

The capabilities exist, on the basis of a systematic study by the personnel involved with the problems of norms and work organization and with the help of the engineering and technical personnel, for changing over, wherever it is possible, to the establishment of technical work norms which are necessary to assure a more realistic and revolutionary plan to fully utilize the work time and the production capabilities of machinery and equipment, for the continuous growth of labor productivity. Perfecting the work norms, as Comrade Enver Hoxha recommends, "is an absolute necessity. Otherwise we cannot speak of productivity and an increase of it." (Enver Hoxha, Reports and Speeches 1959-1970, p 274). Much can be learned, on the subject of improving work norms, from the work experience of the "Petro Papi" instrument factory in Korce. The party organizations and the managers of the enterprises are concretely involved with this problem. They systematically program research to replace old work norms with new and better ones, relying firmly on the ideas of the workers, which they put into effect. In the first quarter of 1979, labor productivity, in this factory, was fulfilled by 103.3 percent, the average wage per worker rose by 100 percent, the work norms were realized on an average by 103 percent. The number of workers who did not fulfill the norms was only 4.9 percent of all workers who work by norms. Whereas the number of workers who surpassed the norms by 10 percent rose by 5.2 percent. In this factory 67.5 percent of the working hours are spent on jobs that employ technical norms. As a result of establishing an even balance between work productivity, wages and norms, production costs have decreased by 102,000 lek above the planned estimates.

Perfecting the work norms requires careful and continuous care on the part of the executive committee of the people's councils in the districts, the ministries and other central institutions, to move quickly and unswervingly towards uniformity of norms in work methods and in places of work that are the same or alike within each branch and sector.

The effectiveness of the measures which are taken and the activity which develops in perfecting the work norms must be measured, by the economic and state organizations, by the influence they exert over increased work productivity and the expenditure of funds for wages. Our economy is balanced and orderly, based on proportions that are known and on plans that have been established. The proportional development of the economy requires that there be a correct ratio between production, labor productivity, wages, the fulfillment of work norms and average pay. The average fulfillment of work

norms must not be high and the planned average wage must not be realized and surpassed when the production plan has not been fulfilled and the tasks for an increase in labor productivity have not been achieved; if such a phenomenon should increase, it would have dangerous consequences for the development of the economy. Realizing the planned national revenue and the rapid growth of production for the good of society, rather than for oneself, is an economic law which is a basic condition to assure the expanding socialist reproduction. Therefore, one of the most important duties of the managers of the economic enterprises and the agricultural cooperatives, is to control closely the defined proportions between production, labor productivity, the fulfillment of norms and the average wage funds, giving priority to growth in production through increases in labor productivity.

Measures to perfect the work norms cannot be complete without measures for better organization in the work fronts and the places of work, without the organization of a continuous supply of raw materials and work tools and without assigning jobs and tasks to the workers and members of the cooperatives on time. In this area, it is necessary for workers in the technical administrative and economic sectors of the economic enterprises and agricultural cooperatives to be more careful and more responsible in their work. It is necessary to strengthen the accountability of the production managers, so that their role as organizers and managers will grow and they will implement the production tasks according to the plan.

Perfecting the work norms is a delicate task which, as the party and Comrade Enver Hoxha teach us, is realized in the spirit of the classes, on the class road and based on the class interests. The more labor productivity grows the more stable the economy becomes and the higher the well-being of the workers becomes. Eliciting the ideas of the masses, in this area, creates conditions for successfully developing an ideological struggle against the restraining concepts of those technical and administrative workers and managers who are inclined towards personal comfort, which goes against the demands of the times, and against the mistaken ideas of those workers who want to take out of society more than they are willing to put in.

More attention must be given to strengthening the organization of work in departments and their subsidiary units which have been created in economic enterprises and agricultural cooperatives as supports for the main production areas. However, in many instances the work load of the workers in these supporting units is not measured or supported by estimates, therefore, it is necessary to set norms for them also. It is time to study carefully, in every enterprise and cooperative, the need for part time workers, so that only the necessary number of workers are hired and paid according to the amount of work accomplished, and not simply because they report for work. This requires strict controls and accurate evidence of work accomplished. The practice of some enterprises where "eight hours of work" are recorded, without evidence of what kind of work and how much, must not be allowed to exist.

The increasing of labor productivity, at a rapid pace together with an increase in the level of mechanization and automation of production, the use of chemical processes and electrification, are aspects of technical progress that makes up the principal goals that will broaden and develop the technical and scientific revolution.

While decreasing the work time in every production unit, through strengthening the organization of work and the use of norms, has its limitations, the work for the technical adaptability of production is limitless. Therefore, the party has continually stressed that in order to increase labor productivity it is necessary to boldly pursue the path of increasing the level of mechanization of the work processes. The possibilities are great for rapid progress in this area.

Looking at the problem from this point of view, it appears that it is the critical and urgent responsibility of the management organs in enterprises, cooperatives, executive committees of the people's councils in the districts and the ministries to assure, within a short period of time, the operation and utilization of machinery and equipment which is not in use and of those pieces of equipment and machines which are still not operating on two or three shifts. There is room for improvement in realizing the planned indicators for better utilizing the different machines and equipment, such as the coefficient of technical preparedness and the use of motor vehicles, heavy construction machinery and mechanisms, tractor loads and the acceleration of the monthly drilling rate. In many sectors of agriculture, such as forestry, the loading and unloading of goods and the agricultural machinery and equipment is not used to full capacity. Properly used, they would save the labor of thousands of other workers.

Useful experience has been gained in the level of mechanization by producing on location different machinery and equipment, such as self-loading shovels, and electric dredges in the mines, telfers and electric saws for use in forests, machines for planting saplings, cultivators, vehicles for loading beets and wheat, plaster coating pumps, and so forth. However, much remains to be done in this area. The machine shops and plants of the Ministry of Industry and Mines have important responsibilities. The series production of machines and equipment requires the build up of the technological process in conjunction with the technical and technological demands of the machine building industry, the establishment of strong technical and technological and scientific disciplines, a high level increase in the technical adjustment of production, and the establishment of strict quality requirements for work and production in every link of the technological processes. Creating these conditions through broad and scientifically based work on the part of the technical and technological bureaus of the factories in cooperation with the responsible scientific institutions, as well as taking measures for the specialization and training of workers and specialists, are important tasks which are waiting to be solved by the managers of workshops, the executive committees of the people's councils in the districts and by the Ministry of Industry and Mines.

In implementing the party guidelines and directives important work has been achieved in the conversion of production from the artisan stage to the industrial stage. The successes in this field are noticeable, but the possibilities and the conditions that are created are for moving forward at a more rapid pace, especially in improving the organization of production of metal consumer goods, articles of food and so on. The great number of trained specialists and workers, and the experience gained in raising production to an industrial level make up the necessary conditions for progressing at a more rapid pace than heretofore. Nevertheless, this depends to a considerable degree on the struggle against manifestations of conservatism, the lack of confidence in the ability of our people to solve the most complicated problems of technical progress and against tendencies which obstruct the specialization and coordination of production. The problems of specialization and coordination exist not only in the machine industry, but also in the chemical, metallurgical, lumber, paper, rubber and plastics industries, in light industry, the food, clothing and shoe industry, and so on. The correct solution of these problems requires, among other things, a determined struggle against the tendencies of some cadres and specialists to keep everything within the enterprise.

Great attempts have been made and are being made to assimilate and implement in production new techniques and new technology, which not only will assure a higher rate of increase of social, but also will improve the quality indicators of production. Involvement in these problems which require more study and better coordination of studies and experiments between enterprises and institutions with the same profile cannot move at the necessary pace without the daily attention and interest of the central departments. A better organized form of scientific information and documentation, a massive expansion of scientific experimentation, greater flexibility of movement for innovators and rationalizers, and an increase in the cooperation between the engineering and technical personnel and those workers who are skilled and support change are the necessary conditions for making a break in this direction.

The goals for this work are not and must not be merely the construction of new lines, new workshops and factories, but also the reconstruction of existing workshops and enterprises based on the organization of production with new and advanced technology, which will assure savings in labor for every unit of product.

Work groups engaged in solving certain tasks of the technological and scientific revolution are working towards this end. A more organized work is being done by the technical and technological offices and by the innovators and rationalizers in production. But, as the party teaches us, it is important to remember that every worker and member of a cooperative, every cadre and specialist should work, think and experiment, every day, to move ahead, to produce more, better and cheaper. A deep political understanding of duties increases enthusiasm for work and leads to a new unfolding of the creative powers of

the masses. The basic party organizations are responsible for educating people to make new demands of themselves, so that a person will not be content with what he has already achieved, but will strive to go forward to implement and assimilate that which is most positive.

In this matter, the training of the workers, the members of the cooperative, the cadres and the specialists is very important. The knowledge acquired at school is not sufficient and it is not complete. Life and work bring out problems which each one must solve by thought and effort for himself. Techniques, technology and science move forward. The dynamism of the different aspects of social activity require an increase in the efforts to learn, to become skilled, in measure, wherever there is work. This becomes even more necessary in regard to new works, where the assimilation of production techniques and technology and the creation of traditions, practices and the necessary experience constitute the most important task.

In conjunction with the above it is important to understand certain aspects of this problem. One hears on occasion that "to learn skills or not is a matter that concerns only me." This shows a narrow and unrealistic concept of the duties that each worker has in our country. To become skilled is a national and social duty in our country. Each one must make every effort to become skilled and to master his own profession, otherwise he will produce badly and with poor quality, he will damage the machinery and waste materials, therefore he will hurt society and will not fulfill his duties towards society and the state. On the other hand, while training is a state duty, the managers of enterprises cannot delegate its implementation to just anybody; they must organize it and set the pace. They must get people moving, they must help them to learn to become skilled in order to discharge the assigned tasks properly. It is very necessary to strengthen more than ever before the cultural and professional credentials of the workers. The worker who has not tried hard to acquire technical and scientific knowledge and has not applied it successfully to improve the product to increase productivity, to save labor and material cannot and must not be raised to a higher category. The development of socialist competition, as an important factor in increasing labor productivity, on this jubilee year of the 35th anniversary of the liberation of the fatherland and the establishment of the people's government, has greatly expanded. A positive example is being disseminated and progressive experience is being generalized. The pledges which the workers have given in honor of this glorious jubilee, while they are being put into effect, will influence the workers positively to fulfill and surpass the the tasks for increasing labor productivity, and new capabilities for stronger duties will be created in this field in 1980 and the next five years. The problems of labor productivity are many and varied. Fulfilling the defined tasks for an increase in labor productivity requires improved work methods by the party organs and organizations. It is their duty to guide the work better, to make

every communist and worker conscious of the necessity to fulfill the labor productivity plan and to organize more concretely the struggle for its fulfillment. For this reason they are asked to move the levers, more effectively to strengthen controls and demand an accounting from the state organs and the trade union organizations, so as to develop correctly the fight against erroneous ideas which obstruct the uninterrupted and rapid growth of labor productivity.

6160

CSO: 2100

STATE CONTROL COMMITTEE CHIEF CRITICIZES ECONOMIC MANAGERS

Sofia RABOTNICHESKO DELO in Bulgarian 23 Nov 79 p 3

[Article by Krustyu Trichkov, BCP Central Committee Politburo Candidate Member and Chairman of the Committee for State and People's Control: "Measure of Conscientiousness and Responsibility"]

[Text] The strict observance and precise and prompt implementation of party directives and decisions made by the high state organs are among the most important prerequisites for the proper implementation of the social production process and the normal functioning of the socialist state. Socialist discipline is based on Leninist instructions. It must be "... a discipline based on trust, a comradely discipline, a discipline of total respect, independence and initiative in the work," a discipline based on a profound inner conviction and loyalty to the cause of the party and the people. High socialist discipline is one of the prerequisites for the solution of the major and responsible assignments related to the building of a developed socialist society.

The accountability reports to the 11th Party Congress indicates the determining significance of discipline in the process of intensifying the social activeness of the socialist working people and, particularly, their creative participation in labor activities and the creation of new material and spiritual goods.

"The problem of discipline," states Comrade Todor Zhivkov, "is not simply an economic problem. It is a manifestation of the extent reached in the building of a socialist individual, the level of his conscientiousness and responsibility to himself and society, and, in the final account, his attitude toward the socialist system."

The decisions of the July BCP Central Committee Plenum, at which the basic practical ways were earmarked for a merciless struggle against shortcomings in material production and in all areas of social life, play a particularly important role in the further strengthening of socialist discipline in all sectors of our national economy.

In this sense strengthening the discipline in all its varieties and making it consistent with the requirements of the present stage of the country's socioeconomic development and the requirements of scientific and technical progress is an exceptionally topical task.

Our country has scored major unquestionable successes in all fields of life. The socialist type of individual predominates in our society: politically conscientious, with a developed feeling of responsibility, disciplined, loyal to the party cause, and with an active life stand and growing contribution to the struggle for the implementation of the party's program and decisions. Consequently, the problem of a decisive struggle for strengthening the socialist discipline is not triggered by any kind of alarm but exclusively by the desire to eliminate anything which hinders the implementation of the tasks of building a developed socialist society.

However, there still are violations of the order established on the basis of governmental and party documents, the laws, and other legal acts. Still not everyone works the way he should or could and does not find and utilize major economic reserves. Hence the need to intensify political-educational work and strengthen the discipline as conscientiousness and responsibility to society. Individual and collective responsibility and interest in improving the socialist organization of labor and planning, and upgrading effectiveness and quality in all realms of life must be enhanced through the levers and controls of the new economic mechanism. Wherever necessary, we must apply more adamantly and consistently economic coercion as well as strict administrative penalties. All disciplinary violations should be considered an encroachment on the interests of the working people and society.

New organs of the National Control System play their role and have their specific assignments in the efforts for the systematic application of the economic approach to national economic management and the strict observance of state, planning, and financial discipline. The party's central committee and the Council of Ministers demand that control contribute to a maximum extent to the upbringing of cadres in a spirit of high responsibility and discipline and the development of the creative initiative of labor collectives.

The investigations conducted by the state and people's control organs recently have indicated, above all, that decisive and rapid measures must be taken to eliminate major violations of state, financial, and planning discipline in economic activities.

Above all, an end must be put to attempts on the part of some managers to report unfinished output as finished or substandard as standard, and allow the drafting of fictitious documents which present in a more favorable light the state of their production activities, thus obtaining greater benefits for themselves and their collectives or else escaping liability.

Opposites of such cases exist as well, equalling leading to adverse consequences, according to which with more significant overfulfillments of the plan the entire output is not reported but some of it is set aside as a "reserve" to compensate for eventual misfortunes later.

A firm end must be put to the practice of providing erroneous information on the fulfillment of the plan as is the case with some agricultural organizations and enterprises in reporting on their planted areas, average yields, and goods produced. It is urgently necessary for the construction organizations to report house buildings only on the basis of acceptance records. Measures must be taken to improve accountability in material and technical supplies as well. Some enterprises and farms deliberately understate amounts of remaining raw materials, materials, and fuels. This results in the accumulation of above-norm stockpiles in such enterprises and to acute shortages in others.

Secondly, strict measures must be taken against anyone who violates important government documents regarding prices and price setting, which leads to an unrealistic accounting of basic volume and quality indicators and, therefore, erroneous ideas on the effectiveness of economic activities. Such violations are reduced mainly to the computing of unjustifiably high expenditures in suggestions for new prices, orders, services, etc., unrealistic prices set for imported goods, erroneous computation of profitability, etc.

Gross violations of state discipline and unrealistic reporting of plan fulfillments and the formulation of an unrealistic base for future planning, thus complicating the work even further. Budget revenue is not received on the basis of reported yet factually unproduced goods. Chain financial difficulties are created in the work of cooperated enterprises and the work of an entire sector may be hindered. In the final account, this results in serious damages to the state and society.

Such violations are allowed by economic organizations where the feeling of responsibility has been reduced, implementation is not checked, problems related to the socialist organization of labor and the application of the brigade organization of work and cost accounting are not resolved, and the economic approach is not applied, in a word, wherever normal conditions for the fulfillment of the plan are not provided. Unquestionably, the application of the new economic mechanism will make all such violations impossible.

In no case should the consequences of the violation of state discipline be linked exclusively to economic results. They cause serious damages to the labor collectives by hindering their social development, promoting uncertainty, weakening the moral and mental resistance of the working people who have spared no efforts, labor, and time to carry out their obligations, and disturb the rhythmical implementation of economic assignments.

Recently the BCP Central Committee Politburo passed a decision based on materials from the investigation conducted by the Committee for State and People's Control and the Ministry of Finance on state, planning, and financial discipline violations within the Ministry of Machine Building and Ministry of Electronics and Electrical Engineering. Instead of focusing the efforts of their collectives to improvements in the organization of output, finding reserves, and making fuller use of a powerful technical base, the managements of the investigated enterprises had taken the line of the least resistance, grossly violating party, state, planning, and financial discipline. Reporting planned fulfillments, they did not indicate the factual results of economic activities and concealed the true situation at the plants and enterprises.

The BCP Central Committee Politburo firmly condemned such actions and manifestations as being alien to the socialist principles of economic management, socialist morality, and socialist behavioral norms. It was pointed out that they grossly conflict with the splendid traditions and dedicated work of the collectives of such enterprises which have frequently displayed their unity and initiative-mindedness in implementing party and government decisions.

The decision calls upon the party, economic, and state organs and organizations, in the spirit of the requirements of the National Party Conference, and on the basis of the systematic application of the new economic mechanism, to take fast measures to strengthen the discipline, and to mobilize even more energetically the forces of specialists and labor collectives in order to enhance production effectiveness, intensify educational work and make fullest possible use of labor and material resources.

The examples cited here of gross violations of socialist discipline are justifiably alarming. Strict yet deserved penalties have already been imposed on the violators. However, this is not the main thing. It is particularly important now to focus the efforts on the implementation of party and government decisions so that they may become an incentive and a guide in future work.

The struggle for strengthening the state discipline must be waged on a comprehensive basis and involve everyone and state and social organizations. Strict procedure in accounting must be organized and its role must be enhanced in the protection of socialist property and in strengthening the discipline. It is no accident that, considering accountability and control a necessary function of social management, V. I. Lenin repeatedly emphasized that a socialist society cannot be built without accountability and control.

The National Control System and the social organizations play a great role in the struggle against violations of discipline. By exercising their right to control and through the implementation of measures they can contribute to upgrading the conscientiousness of labor collectives in observing

the stipulated order and implementing their obligations, and for the need to maintain strict and conscientious discipline, without which no progress is possible in the economy, social life, or the development of socialist democracy.

This becomes even more necessary now, following the BCP Central Committee and Council of Ministers decree raising wages and other income of the working people and making wholesale and retail prices consistent with the objective conditions of the development of the economy and of upgrading its effectiveness. The implementation of the new decree will unquestionably contribute to the further successful application of the economic approach and to the even faster growth of economic effectiveness and the systematic enhancement of the living standard of the people.

5003

CSO: 2200

BULGARIA

OFFICIAL DWELLS ON BULGARIAN GAS, OIL PRODUCTION

Sofia OTCHESTVEN FRONT in Bulgarian 23 Nov 79 p 3

[OTCHESTVEN FRONT information: "Bulgarian Oil Extraction"]

[Text] Today a ceremony will be held in Dolni Dubnik while on Monday a national practical science conference will take place on the problems of one of our youngest industrial sectors--oil extraction--on the occasion of the 25th anniversary of its establishment. This ceremony brought to the city the best representatives of the oil extraction industry in the country. They will share their experience and discuss measures for the ahead of schedule fulfillment of the plans.

Petroleum extraction in our country began in 1951 in Tyulenovo. However, the first state enterprise was established 3 years later, after the oil wells near Shabla were commissioned. The Dolni Dubnik petroleum deposit was discovered in 1962. It was followed by the discovery of the deposits near Chiren, Vratsa Okrug, and the Devetaki, Lovech Okrug. In the last decade several other petroleum and gas deposits were discovered in the central part of the Danube Plain.

"To our labor collective the Seventh Five-Year Plan was particularly successful," said engineer Georgi Atanasov, enterprise director. "In 1979 petroleum and gas extraction was higher by a factor of 3.2 compared with the beginning of the five-year plan, and was nearly double last year's amount. By the end of December we shall give the national economy about 15 billion cubic meters of natural gas and several thousand tons of crude oil above the plan. Only two years ago the enterprise was subsidized by the state. In the first 9 months of this year, however, we showed over 400,000 leva above the plan profits.

"Our oil deposits are relatively poor and difficult to exploit. This calls for the use of effective work methods. In eight sites new technology is being applied for the processing of the wells, using our own system which nearly doubles petroleum extraction. Usually throughout the world about 35 percent of the petroleum in the deposits is extracted. The Shabla collective, however, was able to successfully surmount this limit. Using its own

original method, it reached a 45 percent extraction of residual reserves. The time separation center near Dolni Dubnik which "taps" the natural gas which accompanies the extracted petroleum, designed and installed by the enterprise itself, has been particularly effective. In about 1 and one-half years since its construction, it has yielded over 150 million cubic meters of gas entirely meeting the needs of industry in Pleven.

"In honor of its first anniversary and great production successes, the collective of the only Bulgarian enterprise for oil and gas extraction was awarded the Red Labor Banner Order."

5003

CSO: 2200

BULGARIA

UKASE AMENDING THE INCOME TAX LAW

Sofia DURZHAVEN VESTNIK in Bulgarian 23 Nov 79 p 961

[Ukase No 2091 Amending and Supplementing the Law on the General Income Tax]

[Text] On the basis of Article 94, Point 2, paragraph 1, of the Constitution of the Bulgarian People's Republic, the State Council of the Bulgaria People's Republic promulgated the following:

Ukase No 2091 Amending and Supplementing the Law on the General Income Tax

(Published in DV, No 132, 1950; amended IZV., No 104, 1952; No 60, 1953; No 15, 1954; No 64, 1955; No 91, 1957; No 90, 1958; No 91, 1960; No 105, 1962; DV, No 99, 1963; No 52, 1965; Nos 16 and 52, 1966; Nos 15 and 100, 1967; No 69, 1968; No 60, 1970; No 101, 1972; No 53, 1973; amended, No 54, 1973; amended No 36, 1979)

#1. Article 4 is amended as follows:

1. The table in paragraph 1 is amended as follows:

Monthly Income	Tax
Not over 100 leva	no tax
From 100.01 leva to 120 leva	0.4 leva per 0.10 leva for excess over 100 leva
From 120.01 leva to 160 leva	8.00 leva plus 12 percent for excess over 120 leva
From 160.01 leva to 220 leva	12.80 leva plus 12.5 percent of excess over 160 leva
From 220.01 leva to 280 leva	20.30 leva plus 13 percent of excess over 220 leva
From 280.01 leva to 340 leva	28.10 leva plus 13.5 percent of excess over 280 leva
Over 340 leva	36.20 leva plus 14 percent of excess over 340 leva.

2. Paragraph 2 shall read as follows:

"For a monthly income of 100.01 to 120 leva the tax shall be computed only in round units of 0.10 leva."

#2. The present ukase shall apply to income earned after 1 November 1979.

#3. The implementation of this ukase is assigned to the minister of finance.

Issued in Sofia on 22 November 1979 and sealed with the state seal.

Chairman of the State Council of the Bulgarian People's Republic:

T. Zhivkov

Secretary of the State Council of the Bulgarian People's Republic:

N. Manolov

5003

CSO: 2200

UKASE INCREASING PENSIONS

Sofia DURZHAVEN VESTNIK in Bulgarian 23 Nov 79 p 961

[State Council Ukase No 2092 on Raising Pensions]

[Text] In accordance with Article 94, Point 2, paragraph 1, of the Constitution of the Bulgarian People's Republic, the State Council of the Bulgarian People's Republic promulgates the following:

Ukase No 2092 on Raising Pensions

Article 1. (1) As of 1 November 1979 pensions shall be raised as follows:

1. Pensions granted according to the Law on Pensions, by 10 leva monthly;
2. Pensions granted according to the revoked Law on the Pensioning of Cooperative Farmers and Section IV of the revoked Law on Social Insurance, by 6 leva monthly.

(2) Should a pensioner be the recipient of more than one pension the increase as per the preceding paragraph shall apply to one of the pensions. The increase shall be paid also should the overall amount of pensions exceed the restrictions as per Article 47 of the Law on Pensions.

Article 2. Should a hereditary pension be received by two or more heirs each one will be paid a corresponding increase of 10 or 6 leva monthly as per Article 1.

Article 3. There shall be no increase in the pensions of individuals who are receiving a 10 leva increase on monthly supplements for children or scholarships, or 10 leva to nonscholarship students.

Article 4. The increase as per Article 1, paragraph 1, of pensions of working pensioners shall be paid also should it exceed the restrictions as per Article 50 of the Law on Pensions.

Article 5. The increase as per the present ukase shall also apply to individuals to whom pensions have been granted after 1 November 1979 providing that over one-half of their service time, included in the period on the basis of which the amount of the pension is computed, has been prior to this date.

The implementation of this ukase is assigned to the minister of finance.

Issued in Sofia on 22 November 1979 and sealed with the state seal.

Chairman of the State Council of the Bulgarian People's Republic: T. Zhivkov

Secretary of the State Council of the Bulgarian People's Republic:
N. Manolov

5003

CSU: 2200

BULGARIA

UKASE ENCOURAGING BIRTH RATE

Sofia DURZHAVEN VESTNIK in Bulgarian 23 Nov 79 p 962

[Ukase No 2093 amending and supplementing the ukase encouraging the birth rate]

[Text] In accordance with Article 94, Point 2, paragraph 1 of the Constitution of the Bulgarian People's Republic, the State Council of the Bulgarian People's Republic issues the following:

Ukase No 2093 Amending and Supplementing the Ukase on Encouraging the Birth Rate

(Published in DV, No 15, 1968; amended, No 21 of 1968, No 63 of 1973, No 17 of 1974, Nos 3 and 21 of 1975, No 63 of 1976, and No 36 of 1979)

#1. In Article 2, paragraph 1, the amount of monthly supplements for children shall be amended as follows:

"For a first child -- 15 leva;
For a second child -- 25 leva;
For a third child -- 45 leva;
For a fourth and all subsequent children -- 15 leva each."

#2. In Article 3, paragraph 1, the amounts of monthly supplements for children of unmarried mothers shall be amended as follows:

"For a first child--20 leva;
For a second child--25 leva;
For a third child--45 leva;
For a fourth and all subsequent children--15 leva each."

#3. In Article 3b, paragraph 1, the words "to the amount of the minimum wage--80 leva monthly" shall be replaced by "to the amount of 90 leva monthly."

#4. In Article 3c, paragraph 1, the words "in the amount of 20 leva" shall be replaced by "in the amount of 30 leva."

#5. In Article 3d, paragraph 1, the words "in the amount of 20 leva" shall be replaced with "in the amount of 30 leva."

#6. The following new Article 3g shall be added to read as follows:

"Article 3g. Mothers and adoptive mothers, workers and employees, shall receive a monetary compensation of 10 leva monthly for the time during which they have used unpaid leave to raise children through the age of three. This compensation shall be paid by the respective enterprise, establishment, or organization.

"Mothers and adoptive mothers who are not employed on the basis of a labor contract shall receive an aid of 10 leva per month until the child has reached 3 years of age. Such aid shall be paid by the respective obshtina (rayon) people's council or municipality."

#7. The present ukase shall be effective as of 1 November 1979.

#8. The implementation of the ukase is assigned to the minister of finance, minister of public health, and chairman of the Central Council of Bulgarian Trade Unions.

Issued in Sofia on 22 November 1979, and sealed with the state seal.

Chairman of the State Council of the Bulgarian People's Republic, T. Zhivkov

Secretary of the State Council of the Bulgarian People's Republic:
N. Manalov

5003

CSO: 2200

FOREIGN TRADE ACTIVITY REVIEWED

Prague HOSPODARSKE NOVINY in Czech 9 Nov 79 p 2

[Commentary by Miroslav Mikes, official of the CPCZ Central Committee: "Foreign Trade"]

[Text] During the first three years of the Sixth Five-Year Plan, our trade turnover with the countries of the socialist community increased at a faster rate than with capitalist countries, and by the end of 1978 its share reached nearly 64 percent of our total trade turnover. In a situation when the world capitalist market, after the enormous rise in the prices of raw materials and semifinished products in 1973 and 1974, is unable to consolidate itself, and when--as a result of the excessive and unexpected rise in the price of gold, from 193 dollars per troy ounce in 1978 to 418 dollars in August 1979--there occurred a further chaotic development of the prices of most raw materials and semifinished products, our everyday experience convinces us that it is advantageous to orient our economic cooperation predominantly on the Soviet Union and the other socialist countries.

The results achieved in the fulfillment of foreign trade's plan during the first nine months of this year are the best proof of this. While the tasks of the export plan for 1979 have been fulfilled 74.3 percent to the socialist countries, and orders on the books ensure 102-percent fulfillment, the export tasks to capitalist countries have been fulfilled 69.8 percent, and orders ensure 91.7-percent fulfillment. Similarly the import tasks of the plan are better ensured for imports from socialist countries than from capitalist countries, although there is some lag in relation to both groups of countries.

During the first three quarters of this year, in comparison with the same period last year, exports at the current foreign prices increased by 15.6 percent to socialist countries, and by 16.6 percent to capitalist countries. Even though the contractual prices for 1979 were adjusted to some extent in our trade with socialist countries, the primary factor behind the growth of our export has been an increase in the physical volume of deliveries, whereas the growth of our export to capitalist countries stems predominantly from higher foreign prices.

Through the efforts of foreign trade's managing and pricing organs, we have succeeded in increasing our export prices by nearly 12 percent over 1978.

Even though this increase is smaller than the over 13-percent increase in import prices, it may nevertheless be regarded as a certain success in the light of the structure of our export and import. However, we cannot agree with the views and demands of certain production organizations that the higher foreign prices compensate their shortcomings in physical deliveries for export.

The uncertain situation on the capitalist markets--fueled by the chaotic monetary situation and speculation, which are projected further into the prices of raw materials, semifinished products and foods, and in the final outcome also into the prices of finished products--has led to the stagnation of many productive branches, or to insignificant growth of their output and sales. Under these conditions there is stiff competition on the capitalist markets where the seller must meet all requirements of the buyer. For us this situation is further complicated by the fact that weather conditions, which influenced the vegetation period and the total harvest, have generated further demand for supplying primarily feed through foreign trade.

If we do not want to resolve this situation at the expense of the planned equilibrium of our balance of payments, then the suppliers of export allocations must significantly improve their work and, in cooperation with the foreign-trade organizations, must seek ways to market these goods abroad the most effectively. An even more important and equally demanding task is to thoroughly review all import requirements, so that we import only products essential to the Czechoslovak economy and avoid solving through import the various shortcomings that manifest themselves in supplier-customer relations and in the inferior work of domestic organizations.

As the principal direction for resolving these problems of our foreign economic relations we regard the further development of multilateral and bilateral economic cooperation with the Soviet Union and the other countries of the socialist community.

The consultations now taking place among the planning organs of the socialist countries on the further development of mutual economic cooperation under the Seventh Five-Year Plan provide, jointly with the various programs sponsored by CEMA, a firm basis for the further development of our economy after 1980.

During the 13 years that CEMA has been functioning, the countries of the socialist community have gained vast experience in the joint solution of various economic and scientific-technical problems, on the basis of planned cooperation. A truly international approach and the cooperation among the countries that belong to CEMA have led to the construction of long-distance petroleum and gas pipelines, of a unified power system and of a number of large-scale industrial enterprises, to the organization of the production of RYAD computers, to the realization of the international space-research program, and to a number of other projects that are vital to our economy.

Within the framework of the CEMA countries' integration projects, we are completing in our country the reorganization and expansion of the production

of Tatra trucks, we have participated in the construction of the Soyuz gas pipeline and of the 750-kV transmission line, we are building intensively equipment for nuclear power plants, are ensuring the construction of the transit gas pipeline and are expanding our capacity for the production of pipes.

At its 33d session held in Moscow in June of this year, CEMA approved certain other significant multilateral agreements and outlined the manner of solving jointly a number of other important problems. For example, an agreement was signed for multilateral international specialization and cooperation in the production and mutual deliveries of equipment for nuclear power plants in the period 1981-1990. This agreement defines the role of the participating countries in the production of such demanding equipment, and it creates the prerequisites for the realization of the program to build nuclear power plants in the CEMA countries.

Furthermore, a general multilateral agreement was signed on specialization and cooperation in the production of energy-intensive chemicals supplied as compensation for less energy-intensive products. A general agreement on the modernization and technical reconstruction of international railroad lines, and on cooperation in civil aviation was likewise signed. Highly significant long-term target programs for cooperation are being prepared which will lead to supplying the CEMA countries with industrial goods, to the development of transportation in the CEMA countries and to the stimulation of the development of the production and export of farm and food-industry products.

Realization of all these measures will further strengthen the economic potential of the countries of the socialist community, for all CEMA countries (including Czechoslovakia) it will further reinforce the stabilizing factors in the development of the individual CEMA countries' economies.

Everything now depends on all workers of the state and economic organs, particularly on the workers in production and foreign trade. They will have to translate the principles agreed upon, into specific conclusions and measures, and to ensure their accelerated realization, so that already from the beginning of the Seventh Five-Year Plan the results of these joint efforts may manifest themselves in the solution of the problems that at present are still making our lives difficult, and which we often must solve even at the cost of exceptional measures.

1014

CSO: 2400

CZECHOSLOVAKIA

TRADE WITH CEMA, CAPITALIST COUNTRIES VIEWED

Accomplishments Viewed

Prague HOSPODARSKE NOVINY in Czech 9 Nov 79 p 2

[Commentary by Miroslav Mikes, official of the CPCZ Central Committee:
"Foreign Trade"]

[Text] The turnover of our foreign trade with the countries of the socialist community grew during the first 3 years of the Sixth Five-Year Plan at a faster rate than the exchange of goods with the capitalist states; toward the end of 1978 its share amounted to nearly 64 percent of our total foreign trade turnover. In a situation where the world capitalist market has failed to regain stability after a steep rise of prices of raw materials and semi-finished products in 1973 and 1974 and where yet another chaotic development in prices of most raw materials and semi-finished products took place as a result of a disproportionate and unforeseen rise of the price of gold which skyrocketed from \$193 per one troy ounce in 1978 to \$418 in August 1979, our daily experience has convinced us of the advantages of our major orientation on economic cooperation with the USSR and other countries of the socialist community.

That was best confirmed by the results in the fulfillment of the plan for foreign trade over the 9 months of this year. While the tasks of the plan for 1979 export to the socialist countries are being met by 74.3 percent and the orders confirmed by 102 percent, the tasks of export to the capitalist countries are being fulfilled by 61.8 percent and orders confirmed by 91.7 percent. Analogically, more tasks of the plan for import from the countries of the socialist community are being met than those for the capitalist countries, although certain delays are evident in both territorial groups.

As compared with the same period in 1978, over the 3 quarters of this year our export, expressed in current foreign prices, rose by 15.6 percent in case of the countries of the socialist community, and by 16.6 percent in case of the capitalist states. Although certain adjustments of contract prices have been made in our trade with the socialist countries in 1979, the main factor in the growth of export is the increase in material

deliveries, while the growth of our exports to the capitalist countries stems mostly from the rise of foreign prices.

Due to efforts of the control and price organs of our foreign trade, our export prices rose by almost 12 percent over 1978; although this growth is lower than the increase of import prices, which amounted to more than 13 percent, in view of the structure of our export and import it must be regarded as certain success. However, one cannot agree with the views and claims of some organizations of production that the rise of foreign prices balance their shortages in material deliveries for export.

The uncertain situation in capitalist markets, fostered by the chaotic exchange rate and by speculations which are further reflected in prices of raw materials, semi-finished products and food, and in the final analysis, also in prices of finished products, caused stagnation in many branches of production, or very slight increments in their production and sales. Under such conditions fierce competition prevails in capitalist markets where only those are able to make a deal who in every way accommodate the customer's demands. This situation is further complicated for us by the fact that weather conditions which affected crops and the total outcome of the harvest resulted in additional requirements particularly for fodder imports.

If we do not wish to resolve this situation to the detriment of our planned balance of payments, then the suppliers of export funds must improve their work substantially. In cooperation with foreign trade organizations, they have to search for the most lucrative placement of our goods in foreign markets. An even more vital and just as demanding task is to assess and review continuously every demand for import, so that only goods that are absolutely essential for Czechoslovak economy be imported and so that various shortcomings evident in supplier-consumer relations and the inferior work of domestic organizations not be remedied with the aid of imports.

We see the main direction and solution of all problems in our foreign economic relations in the further development and multilateral and bilateral economic cooperation with the Soviet Union and other countries of the socialist community.

The consultation of the planning organs of the socialist countries, which is now under way, deals with the further development of joint economic cooperation for the period of the Seventh Five-Year Plan; along with multilateral programs. It has provided a good base for CEMA policy concerning the further development of our economy in the period after 1980.

In the 30 years of the activity of the Council of Economic Mutual Aid, the countries of the socialist community have gathered considerable experience based on planned cooperation in joint solutions of various economic and scientific-technical problems. The truly international approach and collaboration of the CEMA member states has resulted in the construction of long-distance oil and gas pipelines, a unified power system, many large industrial

enterprises, the organization of the manufacture of the unified RIAD system of automatic computers, implementation of the program for international space research, and in many other actions of vital importance for our economy.

Within the scope of multilateral programs for the integration of the CEMA member countries, we are completing the construction and expanding the manufacture of Tatra trucks in our country; we participated in the construction of Soyuz gas line and of a 750 kv electric power transmission line; we are intensively building the facilities for the production of nuclear power plants; we are laying transit gas lines and expanding tube processing capacities.

The 23rd meeting of the Council of Economic Mutual Aid held in Moscow in June 1979 approved some additional important multilateral agreements and outlined methods for joint solutions of many other relevant problems. For instance, an agreement on multilateral international specialization and cooperation in production and on mutual deliveries of equipment for nuclear power plants for the 1981-1990 period, which was signed there. It outlined the process of integration of the participating states in the production of that sophisticated equipment and created the preconditions for the program of construction of nuclear power plants in the CEMA member states.

Furthermore, a multilateral general agreement on specialization and cooperation in chemical production with high consumption of power, to be delivered in exchange for production with lower consumption of power, and a general agreement on the program for reconstruction and technical restyling of internationally important railroad tracks and on cooperation in the area of civil aviation was signed there. Next, very important long-range target programs of cooperation now in the planning stage will help satisfy the needs for industrial goods in the CEMA member states, improve transportation in CEMA member states, and stimulate the development of production and export of agricultural and food products.

The implementation of all those measures will further strengthen the economic potential of the countries of the socialist community and in all CEMA member countries and thus, also in Czechoslovakia, it will further reinforce the stabilizing factors in the development of individual economies of the CEMA member states.

All that depends on all the workers of state and economic organs, particularly on workers in production and foreign trade, who must prepare the details of all the agreed-upon principles, draw specific conclusions and measures, and apply them expeditiously, so that from the very beginning of the Seventh Five-Year Plan the results of these joint efforts become gradually apparent in the solution of problems which are still frustrating us and which must be solved even at the cost of emergency measures.

Machine Exports and Quality

Prague HOSPODARSKE NOVINY in Czech 9 Nov 79 p 3

[Article by Engineer Jiri Svejcar and Stanislav Korvas, Federal Ministry of Foreign Trade: "Non-Saleable Goods Cannot Be Sold"]

[Text] The guidelines for economic and social development of the CSSR in the 1976-1980 period, adopted by the 15th CPCZ Congress in April 1976, include specific tasks in the sector of foreign economic relations. Among other things, it stipulates that during the Sixth Five-Year Plan the turnover of foreign trade be raised by 35-37 percent, taking the distinctly accelerated dynamism of growth in the export of engineering products as its basic and decisive objective. It devoted particular attention to the intensification of the capacities to export comprehensive technological equipment and investment units, including preferential development of those engineering branches and productions which reached, or may expeditiously reach, the world technical and economic level. At the same time, Czechoslovak engineering aims to expand its exports by 72-74 percent before 1980.

The tasks stipulated in the guidelines were projected into the Sixth Five-Year Plan for the engineering industry whose share in the total industrial production is planned to rise to 32.7 percent in 1980 as compared with 26.6 percent in 1970 and with 28.9 percent in 1975.

We Put Our Bets on Engineering Industry

Like foreign economic relations the plan stipulates that the share of engineering production in total exports be increased as shown in the following Table:

Planned Share of Engineering Ministries in Total Export (in percents)

<u>Ministry</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>Socialist Countries</u>					
<u>Federal Ministry of</u>					
Metallurgy and Heavy Engineering (machinery)	19.6	21.0	21.2	22.2	22.6
<u>Federal Ministry of</u>					
General Engineering	33.9	34.5	34.2	36.8	22.6
Total engineering products	53.5	55.5	55.4	59.0	60.4
<u>Capitalist States</u>					
<u>Federal Ministry of</u>					
Metallurgy and Heavy Engineering (machinery)	7.2	8.2	8.4	9.5	10.3
<u>Federal Ministry of</u>					
General Engineering	22.3	23.3	25.0	26.4	27.5
Total engineering products	29.5	31.9	33.4	35.9	37.8

The concept of the Sixth Five-Year Plan enhanced the significance of engineering as one of the prerequisites for a gradual solution of foreign trade relations, for modernization of the technical production base, and for a more efficient application of the technological progress. Therefore, it also stipulated that the production be raised:

in heavy engineering by 47 percent,

in general engineering by 52 percent, mainly in the sectors of semiconductor light-current technology and microelectronics, operational, computing, regulating and control technology, hydraulic elements and aggregates, selected processing and forming equipment, construction and road-building machinery, and sophisticated textile machinery.

The purpose of this growth is above all to create preconditions for the fulfillment of the tasks planned for foreign trade in imports to the socialist and capitalist states. The rate of growth of engineering exports to the socialist countries in the 1976-1980 period was set at 163.3 points as compared with the preceding 5-year period. The substantive structural change in relation to the capitalist states was the substantially increased share of engineering products in total exports, namely, from 24.7 percent in 1975 to almost 38 percent in the target year of 1980.

One of the basic prerequisites for the achievement of the volume of the above-mentioned tasks in the Czechoslovak engineering industry is more intensive application of the results of scientific-technical development in order to raise the technological and economic standards of our products, expeditious adaptation (innovation) of our production, improved quality and operational reliability of our products.

The following Table reviews the achievements in the fulfillment of the objectives of the Sixth Five-Year Plan in engineering exports to the socialist and capitalist countries.

The Share of Engineering Ministries in Exports Achieved in 1976-1978 and in the Plan for the 1979-1980 Period (percents)

Ministry	1976	1977	1978	1979 Plan	1980 Guidelines
<u>Socialist Countries</u>					
Federal Ministry of					
Metallurgy and Heavy					
Engineering (machinery)	18.5	18.2	19.4	23.0	25.6
Federal Ministry of					
General Engineering	33.7	33.3	34.5	35.8	35.5
Total Engineering Products	52.2	51.5	53.9	58.5	61.1

Ministry (Continued)	1976	1977	1978	1979 Plan	1980 Guidelines
<u>Capitalist States</u>					
Federal Ministry of Metallurgy and Heavy Engineering (machinery)	6.8	8.3	9.6	10.8	10.9
Federal Ministry of General Engineering	20.6	19.5	17.9	19.9	21.5
Total	27.4	27.8	27.5	30.7	32.4

It follows from the review that with a certain tolerance the objectives of engineering ministries in exports to the socialist countries are being successfully met. The most conspicuous deviation appears in 1977. At that time both ministries remained just below the 100 percent ceiling. In relation to capitalist states a slight deviation occurred in 1976 and a major one in 1977 and 1978. This was further reflected in the failure of both ministries to fulfill their planned annual tasks in exports in the sector of machinery and equipment.

An Inadequate Level of Export Funds

The failure to meet the objectives in the export of engineering products stems partly from numerous internal factors related to the capacity and system (in investment units, for instance, the problem of the principal contractor) and from the tensions in supplier-consumer relations, and partly from external factors caused by the marketing situation in individual capitalist markets and from the position and level of the competition. It must be said, on the other hand, that it does not involve any trade-political obstacles, because, with a few isolated exceptions, a free trade-political system prevails in engineering exports.

Technical standards, quality, operational reliability and availability of services play a very meaningful role in exports of machinery and equipment. That determines the achievement of an appropriate degree of marketing efficiency, which has been confirmed also by the evaluation of the fulfillment of the 1978 plan. It was determined that one of the main reasons for the non-fulfillment of the tasks in export of engineering products to the capitalist states was the shortage of export funds of good quality and the protracted difficult marketing situation, particularly of those products whose standard of innovation remains on a low level. This was accompanied by insufficient adaptability to the consumer's demands for various adjustments and changes in standard designs. The engineering foreign trade organizations as a unit fulfilled their export plan to the advanced capitalist states in 1978 by mere 90 percent. At the same time the results of technical control of foreign trade that year point to problems of the quality of great many engineering products.

Current preparations for the draft of the Seventh Five-Year Plan presume that the Czechoslovak engineering industry will be appointed to fulfill

essential tasks in the sector of foreign relations, where its share in total exports to the nonsocialist countries will be on the level of the objectives of the Sixth Five-Year Plan. At the same time, this probably will substantially increase the demands on the engineering branches of the Federal Ministry of Metallurgy and Heavy Engineering which are supposed to meet about one third of the objective as compared with the current 5-year period when the anticipated exports of machinery and equipment in that branch were set at 25 percent.

The main emphasis there is on the conception of an intensive development of our entire economy. Specific targets of technical development, whose implementation will be imperative for the fulfillment of this conception of foreign trade, are discussed below in details concerning some essential sectors.

What to Do with Machinery, Automobiles, Tractors...

The decisive factor in the sector of machinery and equipment will be a more intensive development and manufacture of NC machining technology which, according to world trends, is expected to amount to about 30 percent of manufactured machining technology in or before 1985 and almost 50 percent in 1990. The highly demanding character of this target has been confirmed by the fact that at present the NC technology represents 2.5 percent of that amount. The technological development must be aimed at new progressive control systems on the basis of microprocessors which, due to lower acquisition costs (25 percent of current costs), make possible the application of NC control in a broad area of universal and semi-automatic equipment. As for efficiency parameters, the cutting speed must be increased from the current rate of 40-120 m/min to 300 m/min in 1985, and up to 500 m/min in 1990. The unit-construction design of the equipment and its potential adaptation to technological purposes according to the consumer's demands will represent very distinctive factors in rendering it versatile and highly functional.

The current situation in the fulfillment and implementation of the demands of foreign trade covered in general by the above-mentioned areas of technological development, however, does not yet indicate that the above technical and economic targets will be met during the Seventh Five-Year Plan.

The main item in the category of passenger automobiles now exported is model S 105/120, however, it has not been as successful in foreign markets as originally envisaged. That car may become more marketable if at least partial adjustments would be made, which the foreign market has thus far demanded in vain. The demands are as follows: an alteration of the car design (front engine and thus, also potential manufacture of several modifications on both scales), a new rear axle, redesigned pumpers, 4-piston disk brakes, lower volume of internal noise, better interior furnishings (heated rear window, self-winding safety belts, controlled choke and hand-brakes, contoured floor carpeting, space for the installation of a radio

with simultaneous adaptation of the switchbox, collapsible armrests in model S 105 S, a clock in S 120 S), transition to 98 mm wheel spacing, improved protection against corrosion of the underbody and cavity with a guarantee, metallization, and convertible metal top at additional charges.

It is quite imperative to implement most of these demands also in view of the fulfillment of our export tasks in the Seventh Five-Year Plan, because a new model of a passenger car with a 1300 cubic cm engine will not be manufactured until the end of the next five-year period. The planned innovations of lighting technology, electric equipment, fuel system, accessories, and air-conditioning should be fully introduced in the new model of the automobile. It is presumed that purchases of foreign licenses will help expeditiously implement innovation of some parts. Thus, with proper guarantees of services it will be possible before the end of the Seventh Five-Year Plan to achieve substantially higher reproduction values in export of our passenger cars.

In addition, more advantageous opportunities cannot be anticipated in the sector of agricultural tractors in the fulfillment of their sales tasks before the end of the Seventh Five-Year Plan, at the time when the postponed mass production of unified series III tractors will begin, which will fulfill the demands of our foreign customers.

In the sector of textile equipment, measures for the implementation of the technological development in main export funds will be taken before the end of this five-year plan and in the first years of the next five-year plan for the following items:

- manufacture of spindleless spinning machine with an improved system of removal of impurities (introduced on schedule in September 1979);
- production of a new type of hydraulic jet loom with horizontal weaving plane and lateral and central picks, with December 1982 deadline;
- improvement of 6 types of small-diameter knitting machines, with December 1979 and December 1980 deadlines;
- manufacture of new models of air-jet looms and of Metap knit-weave machinery.

Furthermore, measures adopted for the Seventh Five-Year Plan will produce a new generation of fully automatic spindleless spinning machines for the needs of foreign trade. All capacities of the technological development will be oriented so as to make us in fact the leading country in the sector of BD technology as regards the ability to compete.

As for the Kontis C4 multi-shuttle loom, it cannot be presumed that this equipment will markedly affect the volume of export funds during the Seventh Five-Year Plan. From the point of view of foreign trade this machinery may be considered as practically unsaleable because of the stipulated technical conditions (inferior reliability, disproportionately high requirements for spare parts, price).

...What to Do with the Power and Construction Equipment

Export of steam power engineering equipment in the Seventh Five-Year Plan is contingent on the development of condensation and heating-plant machinery of medium and large capacities. Capacities equal to 300 MW and 600 MW must be obtained in boiler and combined units, including a full line of the equipment (feeding pumps, fans, electric motors, mills). These tasks will be resolved with the aid of agreements on cooperation concluded in 1978, namely, an agreement with the M.A.N. company of Nurnberg on cooperation in the production of gears with 300-600 MW capacity, and an agreement with the Babcock company of Oberhausen on cooperation in the acquisition, manufacture and sales of boiler equipment for power equipment based on fossil fuels.

The main objective in the development of the engineering equipment for the industry of construction materials must focus on the expansion of the capacities of technological engineering lines and operational systems delivered for export mainly in the form of investment units. Automation of unified lines is another essential factor in the development of that sector; it will be markedly reflected in operational reliability, greater simplicity, and higher quality of the final product. Even units with higher capacities require special attention to the reduction of dust pollution. However, technological units able to meet such demands will be available during the Seventh Five-Year Plan only in isolated cases.

State, or as the case may be, the ministry's plans for the development of sciences and technology presuppose the following terms for the production of certain technological units: a large-capacity cement factory with 3-stage firing technology-1986; fully automated lime works-1984; systems of finishing machinery for ceramic factories-1984; a large-capacity finishing plant for crushed aggregates-1985; thermal aggregates for ceramic factories-1984; an automated brick factory-1987.

The above-mentioned presumptive deadlines for the beginning of their construction, however, cannot be regarded as possible datelines for the export to begin. For that purpose the datelines must be extended by 1 to 4 years.

The line of production in the sector of construction and road-building machinery must be thoroughly and expeditiously modernized, since at present it is limited by the capacity of production in certain key points. This involves in particular driving units, transmissions, hydraulic elements and aggregates. From the point of view of export, among the demands applicable to the whole commodity one may stress that the standards of anti-noise and anti-vibration protection must be observed and that adaptations must be made for operations in extreme climates.

Although the above review of the objectives of technical development does not exhaust the entire scope of problems which must be resolved in order to meet those targets, it indicates that it will be a very demanding and gradual proposition to strengthen the export potential of the Czechoslovak engineering industry.

ENERGY CONSIDERATIONS IN FOREFRONT OF COMMENTS

Reactor Units for CEMA

Prague ZEMEDELSKI NOVINY in Czech 14 Nov 79 p 4

[Text] Prague --Yesterday Eng Jan Neumann, chairman of the Czechoslovak Atomic Energy Commission had a lengthy discussion with Prague newspapermen about our nuclear engineering industry which in the Sixth and Seventh Five-Year Plan is expected to produce 22 complete reactor units for CEMA countries.

The seven billion dollars invested in this branch enabled us to become also producers of the complete secondary cycle. Aside from main circulation pumps, which are still being made in the USSR, we produce at the Skoda Works, the VZKG (Klement Gottwald Steel Works, Vitkovice), Sigma Modrany and in other enterprises also all primary cycle components for VVER 440 nuclear power plants. At the same time preparations are under way for the production of components for VVER (1000 MW) nuclear power plants.

Proof of profitability of this production is indicated by the kilogram price of these products which varies from Kcs 400 to 600 and amounts to a full Kcs 1000 in the case of the reactor vessel. The production of this equipment calls for predominantly highly skilled work including ultrasound control and other procedures. Worthy of mention is, for example, that at the Skoda Works only six welders are qualified to perform the exacting hand welding work. Of interest is also that no other CEMA state excepting ourselves and the USSR has so far produced any nuclear power plant component.

But concentrating on the heavy components deprived us of the skilled labor needed for the production of measuring and control instruments for nuclear power plants which requires an even higher degree of skilled work. But new investments in the electronics sector are expected to fill this vacuum and enable us to supply all CEMA countries with the control, measuring and computer systems needed for the VVER 1000 reactors.

At the conclusion of the press conference Eng Neumann touched also on some global problems concerning the development of nuclear power as has already been reported in the recently published three part series.

More Effective Use Urged

Prague TECHNICKY TYDENNIK in Czech 30 Oct 79 p 1

[Article by Ph Dr Vladislav Krathky]

[Text] Currently the main emphasis is on fuel and energy efficiency indicators of machinery. This is now not only the call of the day but a permanent requirement in technical development. The branch enterprise Skoda Plzen is purposefully engaged in reducing energy consumption and increasing fuel efficiency of its products. In the course of the current five-year plan measures were adopted to improve the power consumption efficiency of new products. At the Electrical Engineering Enterprises, for example, new types of direct current electrical motors are being produced to power rolling mill machines in which the Ward Leonard set is replaced by a semiconductor converter; this yields an up to 15 percent saving in power.

The same applies to motors for the operation of machine tools. By the use of controlled semiconductor converters approximately 93,600 kWh can be saved under operational conditions by 50 electromotors with an overall of 100 kW.

The Skoda Works at Plzen supply approximately 500 electromotors as auxiliary motors for the operation of rolling mill machinery; their output varies from 7.5 to 185 kW. With an average output of 70 kW the replacement of the Ward-Leonard set by controlled semiconductor converters in 100 electromotors represents a net annual saving of 4,400,000 kWh.

Annually 150 9TrHT-type trolleybuses with thyristor control are being supplied for use by mass transit systems in our cities. Test runs have demonstrated that, depending on passenger load, these buses require 25 to 30 percent less power than the older types. Given an annual average distance of 50,000 kilometers travelled and an average passenger load, an annual saving of 30,000 kWh can be achieved for a single trolleybus.

The use of electric locomotives with pulsating thyristor control in shunting service with frequent starts resulted in a saving of up to 25 percent of total power requirement. The prototype of the locomotive passed successfully exacting tests and serial production will begin in 1981. According to a Railway Research Institute study the annual saving expected from a single locomotive used to shunt railway cars in a station amounts to 77,000 kWh; the average use of the locomotive for all types of service can bring the saving to 260,000 kWh.

These examples demonstrate how one of the basic tasks of rationalizing fuel and energy consumption is being implemented by the enterprise.

The same trend prevails in the product innovation program of applied research for the Seventh Five-Year Plan and beyond. Power installations, machine tools and transportation equipment constitute the priorities of the program. Reducing energy consumption and improving energy efficiency of machines and installations is of lasting importance.

In the Seventh Five-Year Plan the innovation program in the power engineering industry concentrates on producing power plant installations with high unit output, increased efficiency and reduced specific fuel consumption. Lower efficiency power production units whose useful life is ending are being replaced with units of higher output and lower specific heat consumption. Turbosets with an overall output of 700 MW are expected to be replaced in the coming five-year plan which should result in an annual saving of approximately 20,000 tons of specific fuel from technical improvements. Beginning in 1980 at the Melnik III power plant a 500 MW power generating unit will go into operation which will save 70,000 tons of specific fuel annually compared with two turbosets with 200 MW generating capacity each.

In the machine tool sector energy efficiency will be increased by continued exploitation of production centers with variable degree of automation according to the Skoda NC-N system and as a result of the development of a new generation of machines for optimal technological sets for the production of rotating and non-rotating parts.

The introduction of thyristors in seven types of electric locomotives and trolleybuses as a replacement for power supply contactors is expected to save 22 million kWh in 1985.

By 1985 urban mass transit systems in our republic will receive 800 trolleybuses with thyristor control replacing the entire vehicle complement.

The Klatovy enterprise produces gas-heated furnaces used in rolling mills, foundries and in other engineering industry sectors. The current energy efficiency of the furnaces is approximately 20 percent. Planners and designers are engaged in finding solutions for best utilization of waste heat in incinerators, the reduction of heat absorption by the brick lining and for new designs of combustion chambers, burners etc. which would raise thermal efficiency of the furnaces by additional 20 percent in the Seventh Five-Year Plan.

In implementing these plans emphasis must be placed on key innovations. A limiting factor affecting the implementation of these plans is the existing technical and capacity potential of subcontractors, for example the monopoly producers of electronic control and regulation devices who are unable to meet the requirements of the branch enterprise Skoda. Similar problems exist also in other sectors. Even though the development

of refractory fiber linings for furnaces has been completed they are not yet being produced; their application in fuel-fired furnaces in operation in the production enterprise would save about 17 MW a year and 200 MW if introduced throughout the republic.

Technicians and designers are concentrating on the steady reduction of power consumption. New solutions are being introduced because rational utilization of energy is a basic prerequisite for the development of our engineering industry in coming years.

Nuclear Production Base Financed

Prague Technicky Tydennik in Czech 30 Oct 79 pp 1,3

[Article by Eng Miroslav Simik, Klement Gottwald Iron and Engineering Works, Vitkovice: "The Importance of Soviet Assistance in our New Production"]

[Text] The new production program has had a very marked effect on the structure of the Klement Gottwald Iron and Engineering Works at Vitkovice by establishing a firm foundation for the engineering sector of this enterprise. The Government Presidium Resolution No 21/75 allocated an amount exceeding 2.5 billion crowns for capital investments to establish facilities for the production of nuclear power plants.

The investment money for the development of a production base for nuclear power plants has been purposefully channeled into five independent construction projects (raw material base, additions to forging and pressing shops, the sheet iron rolling mill finishing department, the heavy engineering department and boiler room expansion). The individual projects have been gradually brought into production beginning in 1977 and the final deadline for the completion of all of them is 1980.

The Vitkovice production base will be enlarged at the completion of the above projects for example by a 60 ton electric furnace, a 6 by 6 by 20 meter annealing furnace with automatic high precision temperature control, a three part 320 meter long and 75 meter wide production hall with cranes of 200 ton carrying capacity (to be increased to 400), a unique machine tool with numerical control, a rounding machine of 4500 ton bending power, plasm cutting of thick iron sheets, linear 10 MeV accelerator for non-destructive testing of materials, equipment for testing tightness with helium, welding and build-up automats etc. The world quality standard of the machines and equipment is a guarantee of the high quality standard of the components of nuclear power plants.

The Vitkovice enterprise will participate in deliveries for nuclear power plants by the production of various semifinished products and installations such as for example semifinished high pressure reactor vessels for Skoda Plzen which entails the production of rough cast thermally treated forged pieces of mantle rings and pressed reactor bottoms and lids from chromium,

molybdenum and vanadium steel of Soviet Quality standard weighing 23 to 58 tons (overall weight of a single set is about 480 tons). This production is already in operation and four sets have already been delivered to the Skoda Works at Plzen.

The Vitkovice production includes further semifinished parts for the internal equipment of reactors destined likewise for the Plzen Skoda Works. Included are forged pieces, rolled thick sheet iron, pressed bottoms and rounded and welded rings from austenitic stainless Cr Ni steel of Soviet quality standard weighing 3 to 23 tons (the overall weight of one set is approximately 190 tons). This production is also operational and a fourth set is already being completed.

Semifinished products of primary piping, knees and fittings are destined for the Sigma concern enterprise. This involves the production of machined and heat-treated straight forged tubes 500 mm in diameter with 35 mm thick walls, 1.5 to 4.5 meters long, weighing up to 2 tons; rounded seamless knees 500 mm in diameter weighing 0.7 tons and machined forged parts constituting the main sealing armature weighing up to 2.2 tons. These parts are made of austenitic stainless Cr Ni steel of Soviet quality standard meeting high requirements especially with respect to yield limit, grain size and impurities. A set weighs around 150 tons. The production technology was mastered in spite of the strict requirements which had to be met as demonstrated by the completed deliveries to the Sigma concern enterprise of 3 sets of primary piping including knees and two sets of main armature.

The parts of the protective reactor mantle consist of 10 individual elements made mostly of rolled steel of the 11th, 12th and 17th quality class. These are large size high precision weldments up to 9 meter in diameter and up to 6 meter high. The weight of these elements varies from 3 to 47 tons (the overall weight of one set is approximately 150 tons). The elements are delivered directly to the nuclear power plant site. Deliveries of elements of the first and second set to the construction site of the Parks power plant (Hungarian Peoples Republic) have already started.

The last product is a steam generator, a horizontal pressurized thick-walled vessel of maximal external diameter of 3.5 meter, approximately 12 meter long weighing 178 tons. It consists of forged rings, bent rings and pressed bottoms made of carbon steel. Inside the steam generator body is a complicated built-in assembly consisting of two vertical cylindrical collectors with 5000 fixed heat exchange pipes, feed water distributor, a louver steam separator and a heat exchange pipe support system. The built-in assembly is made throughout of austenitic stainless Cr Ni steel of Soviet quality standard. The production of the steam generator represents for Vitkovice the most demanding product for nuclear power plants. The steam generators are already in production and initial deliveries for the first unit of the V-2 nuclear power plant at Jaslovske Bohunice will be effected in 1980.

The volume compensator, a vertical thick-walled pressurized vessel 2.8 meter in diameter, 12 meter high, weighing 133 tons must finally be mentioned. The 145 to 190 mm thick mantle consists of forged rings, a pressed bottom and lid made of the same steel as the steam generator mantle. The internal surface of the mantle is covered with a stainless steel lining welded on by means of an austenitic welding strip. Sleeves accommodating heating elements and measuring instruments, sockets for the feed and drainage pipes etc. are welded to the mantle of the body. The built-in assembly of the volume compensator is considerably simpler than that of the steam generator and consists of a shower installation, lines and clamps for the electrical heating element bloc and an access ladder. All this equipment is made of austenitic stainless Cr Ni steel. It is clear that the Vitkovice enterprises have successfully mastered also this highly exacting production; they have already delivered two volume compensators to the Rovno and Kolsk nuclear power plants in the USSR.

The brief characterization of products destined for the nuclear power industry fails to do justice to the extent of the problems which the worker collectives at the enterprise had to solve. Even though the testing and mastery of the work on components for the VVER-440-type nuclear power plants has not yet been completed preparations are already under way for the production of equipment for the more advanced VVER-1000-type nuclear power plants. None of this would have been possible without the selfless assistance of the Soviet Union which was crucial not only for the Vitkovice enterprises but for all the other enterprises participating in the production of equipment for nuclear power plants. Soviet specialists passed on to us a wealth of findings acquired over many years of research activity and valuable experience gained in the production of equipment and operation of nuclear power plants. Soviet technical and design documentation for the production of individual parts of equipment of nuclear power plants constituted vital assistance to our engineering industry which hitherto had no previous experience in this field.

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GERMAN DEMOCRATIC REPUBLIC

SED ECONOMICS CHIEF SCORES PRODUCTION COST EXCESSES

West German Commentary

Bonn IWE-TAGESDIENST in German No 170, 7 Nov 79 p 1

[Report from Berlin: "In Every Third GDR Enterprise Production Costs Are Too High--Criticism of Low Effectiveness of Industrial Research." A translation of the East Berlin EINHEIT article by Guenter Mittag cited below follows this commentary]

[Text] One out of every three GDR enterprises exceeds its planned production costs, according to SED Central Committee secretary for economic affairs, writing in the party journal EINHEIT. Thereby they "destroyed the efforts of many enterprises under sound economic management." Unless that was being "resolutely stopped," it would cut out the means for raising the national income. All enterprises, combines, and furthermore also the responsible ministries, the secretary went on to say, had available copious statistics on cost development. "Some," evidently, thought such materials were just scrap paper and failed to draw the necessary conclusions from them. Altogether, the struggle for reducing costs should have to become "much more rigorous."

In this context Mittag also criticized GDR industrial research accomplishments. R&D tasks and their results often were not in line with economic requirements because their scientific-technical level remained below international standards. At times they were not even up to what had internationally become generally accepted for years. "Some of those responsible" he accused of wanting to evade performance requirements in this field without giving any serious thought to what was really necessary. (EINHEIT 11/79)

Guenter Mittag's Critique

East Berlin EINHEIT in German Vol 34 No 11, Nov 79 signed to press.
10 Oct 79 pp 1117-1126

['Rationalization and Party Work' feature article by Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs: "Socialist Rationalization--Road to the Strengthening of Our Economic Power." Processed for EINHEIT publication, the article is based on a speech given by the author at the Fourth Conference of Best Workers of the Capital of the GDR, East Berlin, 20 September 1979]

[Text] In preparing the 30th GDR anniversary we have found that life in our country bears the stamp of a great initiative from the workers, engineers, scientists, the working people of all branches and occupations. Truly great achievements come through socialist competition. They are highly instrumental to strengthening our republic's economic power. They create the crucial preconditions for smoothly continuing, today and in the future, our program of growth, prosperity and stability.

In his letter of response to the working people in the VEB Carl Zeiss Combine Jena, Comrade Erich Honecker explained how the policy of the Ninth SED Congress is successfully carried on: through a dynamic performance boost which must be based on a still more intensive use of the qualitative factors of economic growth. What is needed is the further development of the productive forces of the GDR in fraternal collaboration with the Soviet Union and the other socialist countries. That, however, is possible only if we raise science and technology onto a level which will bear the stamp of an increasing share of top performances. Those top performances are meant thereby which make themselves pay through high, above-average economic results. This demand for top performance applies as much to labor productivity and our energy and materials economy as to foreign exchange revenue through export and qualitatively good consumer commodities with a high use value.

From the solid position we have worked hard to achieve in our 30 years we are entering the fourth decade of the GDR with elan and fighting spirit. We have always relied on the invincible strength of the workers class, knowing its course to be in harmony with the historic inevitabilities of our time. That was the case when we started out, and that is the case today. Characteristic of this historical optimism were the words Comrade Erich Honecker used in the years of our new beginning with respect to our capital: "The optimism of the population of Berlin is seen in how it has started to reconstruct Berlin. Along with the reconstruction of government and administrative buildings, science institutions, theaters, movie houses and museums, the construction of large residential quarters and factory installations is taking place. And so Berlin, the seat of the GDR government, is becoming more and more a vivid testimony for the new, peace-loving democratic Germany."¹

Today it is evident that what some then thought was merely a dream has become reality. Dreams they were not but realizations of scientific communism converted into concrete goals in a country where the workers class, under party leadership, had taken political and state power into its own hands. What has become of our republic since those days, through years of diligent work, and the upswing it continues to demonstrate-- therein lies a unique confirmation of the correctness of our course, the advantages of socialism, the rightness of our cause and its unlimited historical perspective.

A Higher Quality and Effectiveness of Work--A Challenge to All

The socialist social order offers all advantages and prerequisites for improving the effectiveness and quality of all our work. We will make still better use of them by further perfecting the management and planning of our socialist economy. This is of immediate importance to the work of the best workers, the innovators, all working people in the enterprises. They thereby get still more favorable preconditions for doing their work with still greater effectiveness on behalf of our republic and their personal well-being. The basic points of attack for it were created in the resolutions of the 10th Central Committee session. It concerns the fulfillment of the 1979 plan and its targeted overfulfillment in important areas. It concerns the preparation of the 1980 economic plan with its high performance level. And it concerns the consequences resulting from it for management.

As the analysis of economic plan fulfillment thus far demonstrates, we have succeeded in continually raising our performance growth through the resolute and aggressive position taken by many party organizations, the committed dedication by many trade union and FDJ organizations, and well organized management activity. To continue this course, we must pay full attention, along with our struggle for an output proper as to assortments and contract terms, to cost trends.

It was not by accident that the 10th Central Committee session termed cost reduction one of the most important factors for higher effectiveness. Some have in mind only production volumes when they think of national income growth. But that is not right. To what extent increased production actually leads to a higher national income that crucially depends on the cost curve. The more we succeed in reducing costs, the more of a national income growth there will be, accomplished in terms of per M 1,000 in commodity output.

The struggle for reducing costs must become much more rigorous. Two-thirds of our enterprises restrict themselves to costs planned, the other third exceeds them and thereby destroys the efforts of many enterprises under sound management. Unless that is resolutely stopped, it cuts out the means for raising our national income.

To change the situation we have to learn from those who are doing well in reducing their costs and find out why others are doing less well, and do away with the causes for it. All enterprises and combines, and furthermore also the responsible ministries, have available copious statistics on cost development, not only in totals but broken down into types of costs and other aspects. Some evidently think such materials are just scrap paper and fail to draw the necessary serious conclusions from them. It must be frankly stated in an enterprise what the cost picture is so that everyone knows what he is up against. One thing is obvious, though: every day, every week, every month when the production costs are too high, losses are incurred which cannot be made good because time is irretrievable. Through cost reduction to higher effectiveness--that is the road we shall have to take much more resolutely than in the past. Higher effectiveness is shown by an increasing volume of output while costs go down. Higher effectiveness also occurs when through better qualities due to the use made of scientific-technical progress a higher value per unit of commodity is achieved, in cases, that is to say, where, generally speaking, simple work is replaced by complicated work, which affects the value creating process. There a better quality also is economically reflected by a commensurate value improvement.

Special attention is warranted by the fact that many combines and enterprises showing a high development increase in production also are decisively improving their quality parameters. That applies in particular both to production cost development and to solving the science and technology tasks. That has much to do with the fact that most combines and enterprises are going ahead vigorously in developing their own means of rationalization. The Berlin enterprise Elektroprojekt und Anlagenbau, for instance, doubled the production of its own means of rationalization within 3 years. The same also applies, in principle, to the NARVA Combine on the whole, the Elektro-Apparate-Werke in Berlin-Treptow and the Marzahn machine tool factory in Berlin, which not only doubled but quadrupled those means, and to many other combines and enterprises. This development trend it is precisely which expresses with how much of a sense of responsibility those tasks are being solved in those combines and enterprises which are absolutely essential for obtaining much higher achievements and greater effectiveness by means of most modern technologies in 1980 and thereafter.

For organizing a high performance growth one must always remember that the smooth and effective work of each individual or of each collective affects the smooth and effective work of the whole enterprise, the whole combine, even the whole economy. Insuring smooth production starts with one's own work. For that reason, each collective should always again ask itself: What is our collective doing to fulfill its plan, not by some extra push at the end of the month, but continually? How can we make sure through our quality work that no faulty parts go to our buyers? How do we lower the expenditure in working time, energy and material to provide our economy with the reserves it needs to react more flexibly and create new premises for further achievements elsewhere? These and other questions in

"feeling responsible" for the whole enterprise, the whole combine and, beyond them, the whole economy should still more strongly be turned into the focal point of all discussion.

Stronger Socialist Rationalization

The main concern all best workers and innovators in the widest sense of the word have lies in making work more productive, effective, easier and more pleasant. Deliberately participating in shaping the production process, they contemplate making use of the most rational production methods and modern technologies and procedures. That desire wholly conforms with the objective economic needs for further strengthening our republic's economic efficiency. In his letter responding to the working people in the VEB Carl Zeiss Combine in Jena, Comrade Erich Honecker said: "High production dynamics is based on stronger socialist rationalization. That, and not the demand for more of a labor force, is the way to truly improving our performance in the interest of the people. The latest technologies and procedures, especially those that are based on micro-electronics and its purposeful application, are an indispensable prerequisite for it."² The phase of socialist rationalization we are about to enter will be marked by a combination on a higher level between extensive economic rationalization measures and the creative initiative of the best workers and innovators. Comprehensive measures have been set down for our economy the implementation of which will achieve a new, higher and economically still more effective level of socialist rationalization. What is involved here is the implementation of the latest developmental tendencies of the productive forces, the application of the latest scientific data in new technologies and procedures, in combination with the production of appropriate production equipment and the comprehensive and broadest possible application of all these data in production.

It concerns mainly the conception for an accelerated development and application of microelectronics in the economy, the conception for the development, production and application of modern electronic circuits, the development, production and application of industrial robots, and the use of modern computer technology for rationalizing ADP and more efficient production organization.

These basic lines in our comprehensive socialist rationalization are mentioned in one breath on purpose because they complement one another. There is no sense talking about microelectronics without also being fully informed about its broad applicability and without creating the necessary preconditions for it. It would be equally senseless to talk about the development of modern machine tools, textile machines, poly-graphic machinery, the rationalization of assembly processes and the solution of other tasks without simultaneously creating the necessary prerequisites for all that by producing the microelectronics components. One element affects every other element here.

In this sense the developmental trends referred to, for the implementation of which concrete measures have already been set down, actually form the centerpiece of a uniform concept on increased socialist rationalization for our economy. The measures are aimed at cutting back jobs at noticeable economic magnitudes and gaining labor power for solving other economic tasks; decisively improving the quality of commodities through functional improvements, greater accuracy and tapping entirely new fields of application--as there are not a few enterprises that face the task of producing commodities which we have thus far never produced at all or for which there exist no comparable commodities; saving energy and valuable raw materials at economic dimensions--especially through the production and application of microelectronics; and creating further prerequisites, through the development and stronger application of modern computer technology, for reducing the still very large number of administrative personnel for routine-type processes. This of course does not mean rationalizing administrative work by means of electronic computer technology that might be completely superfluous. That is why one first has to see what would altogether be required for planning, reporting, accounting and controls, so that then whatever is absolutely necessary can be solved in the most rational way.

Wherever we use new technologies and means of rationalization, especially the ones depending on microelectronics, it is not a matter of raising labor productivity at customary rates. Rather it is a matter, in line with the objective possibilities offered by these technologies, of getting multiple rates of increase in labor productivity by using them in comparison with previous procedures. That starts already with the manufacture of microelectronics components themselves. The process continues through their application. Modern electronic systems that have been developed and continue to be developed make possible a two to six-fold boost in labor productivity. With it comes greater accuracy in processing and improved precision in operations. At the same time the effort for technical production preparation can be reduced--by from 60 to 70 percent in the more highly developed systems. Material requirements go down by from 6 to 15 percent and energy requirements, by from 15 to 50 percent. Putting it briefly, it may be said that when formerly two or three machines were needed, now, thanks to modern electronic systems, one machine will do the job. Where formerly two or three workers were needed, one worker can now handle the same production program.

For the development of digital systems and their economic application as clear a program exists as for microelectronics. That program is the logical continuation of the application of possibilities arising from microelectronics. The necessary tasks have been laid down for the development of production capacities, R&D and the specialized training for engineers and technical experts.

The main point is to accelerate R&D and the placing in production of microelectronic circuits while getting them ready early for the application phase. It means solving at one and the same time the tasks in the

fields of digital controls, robot techniques and computer technology. One thing is especially important in all this: The main users in the fields of machine tool and processing machine construction, heavy machine and equipment construction, and general machine, farm machinery and vehicle construction have been given the task to develop their own capacities for producing their control systems. This way alone will we succeed in attaining the tempo needed in this field and in making sure that the specific equipment required for all the different purposes is developed and manufactured in time. We may no longer tolerate the method of "one waiting for someone else." That does not get us ahead but throws us back. Everyone must start making changes for himself, must make high demands on himself. That applies to everyone. First one must clarify one's own position, and only then can one raise the question as to the help and assistance required through cooperation with others. What is now important is to release manpower through rationalization, broaden by means of that manpower one's own base for the production of means of rationalization and thereby at the same time create further prerequisites for using new and still more effective technologies to cut back still additional manpower. That initiates a process which constantly expands the economic possibilities of rationalization.

All these matters concern not only production but also the population's living conditions in the broadest sense.

Close Combination Between Science and Innovator Work

One thing is true and remains true: the richest source for the growth of our economic efficiency undoubtedly lies in constantly seeking and using more rational and effective solutions in all production fields. The more than 2 million best workers and innovators are making a decisive contribution to it.

As a result of a policy which, in line with the decisions of the eighth and ninth party congresses, clearly reflects the interests of the workers and all working people, the elan and dedication of the innovators have grown. They have become more circumspect politically and economically. Their recognizing fundamental interconnections and requirements has provided them with new insights and conclusions for action. That goes together with increasing occupational skills and deeper theoretical knowledge. That is no coincidence. Our socialist educational system, the substantive development of our polytechnical secondary schools, vocational training and, above and beyond that, the better quality of technical school and university training channel more and more creative capacity into socialist production.

What we now have on the agenda is that the innovators must ally themselves more strongly still with science to develop effectively and at a faster rate microelectronics, automation techniques and computer technology and other modern rationalization techniques, to strengthen our republic's efficiency, mainly by making them applicable. This, in the truest sense

of the word, amounts to a qualitatively high level of science application to production, to applying science with all consistency. It mainly means: An uncompromising orientation to the latest technologies for rationalization, energy and material economizing; development of a new generation of products with improved quality levels, including their design; and production with lowest costs and optimum value improvements.

These highly demanding tasks, calling for a full and aggressive dedication by everyone, also make special demands on management activity. Clear and unequivocally high target assignments, concentration on main tasking areas and creating all preconditions for their use, precise coordination of manpower, uncompromising supervision over the continuation of projects and comradely support and assistance at every instant of the labor process are what we expect of every manager today. No one may get away with merely talking of the creative initiative of the working people, and especially of the innovators. Each manager's duty rather is to provide a broad space for that creative initiative. That, of course, means not merely making demands on others but heading that struggle with one's own personal dedication.

Among the outstanding characteristics in the creative work of the best workers and innovators is that they approach their tasks with communist morality and let themselves be guided in it by objectively higher criteria and demands, even if it involves great personal burdens. Not to let things go by finding there are problems with them but to help deal with them actively and with rich ideas and not to be turned off by any difficulties--that is what distinguishes them.

Implicit in this is that the search for new technical and technological solutions is among the most difficult tasks and challenges everything a person knows and can do. And more than that: it calls for a considerable degree of dedication and resolution, stubbornness and a willingness to take risks. Only through harsh confrontation with objective problems and, not rarely, also with routinized thought and comfortable habits have all the great achievements thus far been made. But the magnitude of the success makes all efforts and all the extraordinary personal commitment worthwhile. That is attested by the recognition many of our products have found on the world market, expressed in terms of high foreign currency revenue. It also is attested to clearly by the results achieved during the first half year in the implementation of the science and technology plans. It is of great economic importance that in that period a saving of working hours was achieved through socialist rationalization that corresponds to the labor capacity of 160,000 working people. Important also are the results in the field of the materials economy. The 90 kiloton saving of rolling steel in the first half year allowed us to allocate circa 75 percent of the production increase in the metal working industry from saved material.

The best workers and innovators in our republic have a great share in these results. Their active and imaginative work yielded an economic benefit of roughly M 4.4 billion last year. That they also properly understood the economic requirements for the future is seen by their still greater activities and economic achievements of the first half of 1979. That is expressed, not last, by the 25 percent increase in the number of patent applications.

Such outstanding results, such initiatives toward a high speed of scientific-technical progress, and toward quality improvements and production volumes, while reducing production consumption, is what we need on every job because every individual today decides more and more through his own contribution on the effectiveness and quality of our output and, thus, on our economic performance improvements. To insure such a development for the future too, all who are struggling for scientific-technical progress should be mindful of this:

The point in all creative scientific-technical work is to focus on new and higher requirements. That applies to the rationalization of production, the reduction of the specific material and energy consumption and, above all, the improvement of commodity qualities. Combines and enterprises deriving their targets for scientific-technical work from that also will improve their economic performance. He who means to evade that will remain behind economically. The inexhaustibly rich treasure of experiences the workers, scientists and engineers have, their knowledge and production experiences, are a solid basis for achieving the demanding performance targets. We may take it for a fact that our considerable scientific-technical potential is such that its capacity is far from being exhausted.

The proportion of top performances must become larger. That also is true of innovator activity, without slighting in the least even the smallest contribution to improving our output and production process. The basic R&D concern in every combine and enterprise must be, however, to create and augment its own new knowledge, a knowledge that transcends what is technically or technologically already known and permits economically more productive solutions. Whatever international data are available which have proven themselves in practice must of course be made use of in our own scientific-technical work.

Often R&D tasks and their results are not in line with economic requirements because their scientific-technical level remains below international development. At times they are not even up to what has internationally become generally accepted for years. Technical backwardness, however, is tantamount to lagging behind economic possibilities and requirements in the fields concerned.

Precise world standard comparisons therefore are needed—for the innovator activity too. The purpose and value of an analysis of the advanced international level primarily lies in obtaining optimum R&D targets and using international data for it. There is no sense in settling for mere comparisons with one's own results after having made extensive analyses.

From all of that the proper ideological position is derived for elevating the management level creativity of our scientific-technical work in each combine and enterprise and the creative contribution of every individual. Some of those responsible would want to evade these performance requirements without giving any serious thought to what is really necessary. Thereby one merely sets artificial limits for oneself and narrows one's horizon, however. The other way around is how it works: clearly formulating the objective requirements, assembling the capacities, creating the necessary prerequisites and organizing the struggle.

Maximum Effectiveness for Investments

Living up to the new and higher science and technology requirements-- that must stand in the forefront during the discussions and decisions even while preparations are being made for the 1980 economic plan. Especially from the standpoint of this great creative work, which is already being smoothly performed and will have to be performed that way in the future, considerations and decisions about investments also require higher criteria. Many mainly talk about money for investments and about structures that are allegedly necessary. "The main thing we first have pocketed our funds, and then we will see what happens," is the way many still think. But the central point, after all, is our production and the necessary production growth at the earliest possible moment. For that, a different approach is called for.

Everywhere in the building trade and investment activities we must rigorously oppose any waste of the people's property and enforce strict state and planning discipline to make absolutely sure that all planned investment projects for strengthening the material-technical base of our economy are becoming operational within deadlines, and systematically to carry on our housing construction program, the centerpiece of our social policy. The most effective solutions for all that must be found everywhere.

The criterion for the decision whether we should newly build, reconstruct or repair existing structures or should, in a unique situation, replace structures not worth maintaining, must be which alternative would be economically most effective and yield the most favorable input-output ratio. This input-output ratio is always involved, especially in investments.

The first question every decision like that has to face is: Do we know the true capacity of our enterprises and are we making full use of it? If that question is thoroughly explored under the aspect of production continuity and working time utilization, many reserves will still show up. Downtime periods occur in one department, haste and confusion in another and so forth. If one checks accurately what an enterprise really is capable of when sound organization combines with high labor discipline, many investment applications will melt like snow in the sun.

Another question is how to raise the capacity through rationalization. Where can jobs be cut back so that elsewhere bottlenecks will be done away with? How can we increase our production fast without any expensive new structures?

Investments in material production principally are meant to help convert rapidly scientific-technical top achievements bringing high economic benefit into economic growth. Those projects that were laid down in the plans concretely must be brought to realization as fast as possible. The ratio of components for construction and equipment must in investments be carefully scrutinized and basically altered. The question is how do we manage with a minimum of a construction capacity and how does the project get done in half or two-thirds of the time allocated, whereby it will more quickly be put into production. Through a concentrated use of construction capacities and investment funds, selected projects must be carried out ahead of time to give them production effectiveness still in 1979 or in the first half of 1980. After all, the reproduction process does not work in such a way that first the big investments have to be carried out and then eventually the achievement will follow, but it is the other way around: The means for any future accumulation have to be produced beforehand through greater economic achievements. First and foremost, the most important thing is to make more of what we have got-- of the installations available to us and of the material allocated for anticipated working periods. That is the proper approach to implementing the decisions of the 10th Central Committee session on obtaining a higher effectiveness for our productive accumulation.

Higher Management and Planning Responsibility

In February this year Comrade Erich Honecker, at the Berlin SED bezirk delegates conference, clearly and emphatically explained the main lines for further perfecting the management and planning of the GDR economy. The requisite resolutions have meanwhile been taken. In preparation for the 1980 plan year, they are already extensively at work dealing with these matters throughout the entire economy.

This involves steps for further perfecting economic management and planning that are of fundamental importance. They are aimed at strengthening democratic centralism and insuring still more effectively through state management and planning the crucial processes that are decisive for the development of our entire economy. The industrial ministries and the State Planning Commission are working properly as long as we achieve a higher performance through an improved effectiveness and quality of labor, with the help of the economic annual and five-year plans. The general directors of the combines assume their increased economic responsibility when they make use of the possibilities available to them to work out and submit their own suggestions on further improving the performance for the benefit of the economic end product. Each manager must fully assume his personal responsibility to the party and the state.

The reason why our party pays so much attention to the further perfection of management and planning is that we are always concerned, as already emphasized at the ninth party congress, that man can do his work more effectively and productively and with greater personal satisfaction. Everyone knows from his own experience how much difference it makes for the effectiveness of all the work done in a collective whether the management is sound or poor. On it largely depends whether everyone does his best or routine, indifference, even negligence and sloppiness determine the atmosphere. Because of the fact that in management activity organizational, economic, political, psychological and intellectual-moral factors are intertwined, the mastery over this entire complex controls the success of the whole.

The personal commitment of the individual is gaining increasing importance here. High labor discipline both by fully using the working hours and by minding all technical requirements, precision and high-grade work, accurate responsibility assignments and a proper rendering of accounts are all basic management requirements. That, in turn, makes it necessary to exercise still more control over complex management activity processes. That means the various projects from the different fields of science, technology and production must be combined into a highly effective end product. This kind of skilled management of the whole and the dedication of each individual must work in unity.

All this involves more than merely skilled management activity. It involves a matter of principle that is of the greatest importance for our entire development--the active participation by the working people in the management and planning of socialist production, because under our socialist conditions the exercise of power by the workers class and management activity belong inseparably together.

Like the Soviet Union and the other fraternal countries, we have shown to the world throughout the 30 years that there has been a GDR what achievements the workers class, led by a Marxist-Leninist party, is capable of. Realities have proven what socialism is and can do. That has always been a thorn in the side of our enemies. That is why they are leaving nothing untried in disturbing, through constant attempts at interfering with the internal affairs of the GDR, the growing relationship of trust between the party, the workers class and all the people, trust being the sure guarantee for our republic's continuing prosperity.

The last three decades furthermore have demonstrated that imperialism is in a deep crisis. Its effects beset the working people in the capitalist countries from morning to night. They are feeling them more and more, for instance in the form of intensified labor agitation, increasing unemployment, run-away inflation and growing job insecurity. Those processes are typical of capitalism and they intensify, not last because of advancing rationalization which, under capitalist conditions, is a scourge for the working people.

To deflect from these difficulties that are caused by the system, bourgeois propaganda is using a primitive trick: From the general crisis of the capitalist system they like to make a whole world crisis, and they would like to turn their own pessimistic view into a view for everyone. However much they seek to disguise things as they are, one thing is sure: The economic misery of the capitalist economy continues and is tending toward new low points, and it goes together with increasing tendencies toward adventurism and threatening all mankind.

All the greater then is our historic responsibility for the all-round strengthening of the GDR. The GDR's smooth and stable development was and is an important contribution to strengthening the positions of peace and socialism. To advocate socialism, devote all strength to its political and economic development in our country and insure its security in every respect thus is not only in the interest of our own people but in the interest of the fate of all humanity, a basic requirement faced by each citizen in our republic, one nobody can evade. That includes our unequivocal pledge to our state by word and deed.

FOOTNOTES

1. Erich Honecker, "Speech Before the International Festival Committee on Preparing the Third World Festival," JUNGE WELT, 23 March 1951.
2. "Erich Honecker Responds to the Working People of the VEB Carl Zeiss Jena Combine," NEUES DEUTSCHLAND, 23 August 1979, p 1.

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GERMAN DEMOCRATIC REPUBLIC

'RATIONALIZATION' TO RAISE PRODUCTIVITY WITH REDUCED LABOR FORCE

East Berlin EINHEIT in German Vol 34 No 11, Nov 79 signed to press
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['Rationalization and Party Work' feature article by Jochen Hertwig, social scientist; member, SED Central Committee; first secretary, SED Frankfurt/Oder Bezirk Management; member, EINHEIT editorial board: "Fewer (Workers) to Produce More"]

[Text] "Fewer Workers Produce More," an initiative developed in the Petrochemical Combine (PCK) of Schwedt, holds an important place among all the many ideas and initiatives generated and realized by the working people, all aimed at solving our present tasks in securing a dynamic performance boost for our economy. "Highly dynamic production," as Comrade Erich Honecker puts it in responding to the commitment of the Zeiss workers, "depends on more socialist rationalization. That, and not the demand for a larger labor force, is the way that leads to a real performance improvement in the interest of the people."¹ The Schwedt initiative profoundly conforms to these economic requirements because it constitutes a comprehensive rationalization strategy which aims at gaining manpower for solving the growing tasks of the combine in the years to come by cutting back jobs in its own domain.

The Frankfurt/Oder Bezirk Management suggested this important activity to PCK and supported it systematically from the outset, the early months of 1978. We see the Schwedt initiative as an extremely important step toward successfully implementing the unified economic and social policy decided on by the ninth party congress. Familiar with the Soviet experiences of the Polymir production association in Novopolotsk, we encouraged the desire of the work collectives and managers in PCK to adopt the principle and apply it imaginatively that saving jobs is the surest way to get the urgently needed labor force for new plants. The first results and experiences in Schwedt were ample cause for encouraging during 1978 other enterprise collectives in the Oder Bezirk to follow the Schwedt initiative. The 27 June 1979 decision by the Central Committee secretariat on extending the Schwedt initiative to other areas of our economy initiated a new phase of this approach also for the Frankfurt/Oder Bezirk. In the meantime,

and by following up the 10th Central Committee session, "Fewer Workers Produce More" has stood up well in the Ost metallurgical combine, the Finowtal chemical factory, the Frankfurt/Oder semiconductor plant and other crucial enterprises in the Oder Bezirk as an effective contribution to strengthening the GDR's economic efficiency, as a means of effective economic management, which implies our dealing with the qualitative factors in economic growth. Results thus far and the range and complexity of the tasks are noticeably moving socialist rationalization ahead and thus are contributing to the "thus far most far-reaching perfection of the organism of our economy and all sides of economic activity."²

Gaining Manpower by Economizing on Jobs

The new large-scale plants of PCK, which serve to improve the separation of petroleum and thus a more efficient utilization of this valuable raw material, will need approximately 2,400 more workers by the end of 1982. As there can and will be no way to add manpower to any appreciable extent, the only feasible way will be to cut back at least 20 percent of the jobs in the main plant so that the needed number of working people will be available. That is all the more difficult because between 1971 and 1978 a reduction of jobs was already carried out in PCK by way of rationalization though the production increased, and that reduction came to 1,833 positions. Now, in the course of 3 years, one out of every 5 workers will have to change jobs, assume a new and usually larger area of work and responsibility, and face the greater responsibility, mainly also through higher training skills. Other enterprises have similarly high objectives. The enterprise collective of the Ost metallurgical combine (EKO), for instance, likewise in connection with wanting to strengthen our economy's material-technical base, plans to gain a labor force of 1,250 up to 1982. In the Finowtal chemical factory the use of the Schwedt initiative as of now aims at releasing 12.1 percent of the labor force, and in this case the intention is to fill in the future also jobs outside its own enterprise.

The "Fewer Workers Produce More" initiative evidently involves considerable economic magnitudes. That is true with respect to putting large production capacities into operation in chemistry, metallurgy and electronics as well as with regard to a resolute tapping of all reserves for more efficient production while using available machines, installations and plants and the most rational utilization of all labor processes and jobs. The motto "Fewer Workers Produce More" finally also aims at increasing labor productivity, being a slogan in the struggle for a high technical, technological and organizational production level and its continuity and stability, directed at meeting Lenin's demand for a "conscious and massive advance toward greater labor productivity."³

It follows from the scope and complexity of rationalization, aiming at gaining thousands of workers, that the Schwedt initiative can be brought to realization only through the unity of conscious attitude and creative activity on the part of the work collectives and through a management concept

that is clear on target and long-range. The political campaign position of the collectives in the fertilizer factory of PCK Schwedt, which came out with "Fewer Workers Produce More" in our plant newspaper NEUER TAG in June 1978, was from the outset combined with an overall requirement on objectives, ways and means of large-scale socialist rationalization the general director had issued. It is aimed not at economizing on jobs here or there but at a complex penetration of the industrial process in its entirety, at the targeted modification of entire processes.

Aggressive political-ideological work in the collectives under party organization leadership is most closely tied up in the Schwedt initiative with a mass movement of the working people promoting scientific-technical progress, the enforcement of scientific labor organization, and with challenging all workers, engineers and scientists for ideas and suggestions. The party executives and managers in the enterprises take proper aim at their political leadership in this process when their practical activity insures the unity of policy, economics and ideology. In the experience of PCK Schwedt and other enterprises in the bezirk, concretely involving all working people in the total process has turned out to be the crucial link in the chain.

The "Fewer Workers Produce More" initiative has grown, under the leadership of our bezirk party organization, as an action taken by the workers class itself. It attests to the resolute commitment with which the working people in Frankfurt/Oder Bezirk dedicate themselves to constructing the developed socialist society in the GDR. That many thousands in PCK or EKO are now actively participating--by ideas and deeds--in the rationalization of their own work area convincingly expresses their full identification with our economic and social policy. "We are all for the sociopolitical goals, and thus we need new installations which must be run expertly," this was the way, for instance, how Comrade Wolfgang Juettner, first plant operator in PCK's terephthalic acid department, motivated his participation in the economizing of jobs in his plant. Test engineer Herbert Wichmann of the fertilizer factory, who wants to work on one of the new installations, says: "We must handle the expensive oil more carefully and therefore work more efficiently--in that I also see an important and interesting job for myself."

Is it conceivable for workers in capitalist concerns wittingly and consciously to do away with their own jobs? In the private capitalist ownership in the means of production and the capitalist profit and crisis economy resulting from it, rationalization comes at the expense of the workers and employees. Capitalist rationalization gains gigantic profits for the monopolies while it increases the exploitation of the workers and turns technology into a menace for them, placing on their neck the specter of social insecurity and and fear about their subsistence--as proven by the millions of unemployed or partly laid off workers in the EEC countries. Any member of the workers class who there would take part in rationalization would thereby objectively worsen the relations of exploitation and chain himself even more to capitalism and make his own social situation all the more insecure.

The Schwedt initiative, on the other hand, emanates from socialist production relations. By bringing it to realization, the working people here are on a course that makes men's labor more productive, which enriches society. Thereby they demonstrate that they are members of the class in power, are socialist proprietors. Their creative participation evolves from the realization that socialist rationalization, all the way to doing away with their own jobs, is based on the identity of social, industrial and individual interests. It is, after all, an experience made thousands of times in real life that our economic and social policy focuses on the well-being of the people, and that our program on full employment, growth, the people's prosperity and stability expresses the social superiority of our society, where economic growth is always converted into social and political benefit.

To Explain--Argue--Sweep Along

Initiatives do not prosper automatically. They call for mass recruitment, positions, clear standpoints. On this basis, also in preparation of the 1980 plan year, our party organizations more and more purposefully engage in political-ideological work among all working people to have them apply the Schwedt initiative. Which problems now have turned out to be especially important in political conversations and in forming a combative position?

He who espouses the principle "Fewer Workers Produce More" and helps actively implementing it also advances the policy of the main task through this personal commitment of his. The higher productivity and efficiency brought about by the Schwedt initiative help implement the sociopolitical measures decided on also under the altered international economic conditions.

The more rigorously the principle "Fewer Workers Produce More" is implemented, the more effectively the advantages of socialist economic management become apparent. To get more out of every mark, every ounce of material and every working hour—is the indispensable condition for economizing on jobs in this dimension. That is why the Schwedt initiative reflects that economic requirements are being taken seriously, which is still more necessary than it used to be.

Where the principle "Fewer Workers Produce More" is placed on the agenda, its goals are persuasively presented, and the economic, political and social interconnections it expresses are explained, massive initiative, responsibility, innovator spirit and educational needs will develop because there often are then different and expanded task areas and skill requirements that challenge an individual. The signs are already there that the Schwedt initiative has also noticeably restimulated the process of socialist personality formation.

This kind of a movement of course, which includes or affects most members of an enterprise, has its own problems, contradictions and conflicts. The change of jobs, acquiring higher skills, different working hour and shift arrangements, the formation of new collectives, and new demands placed on one's performance--how could all this proceed without many psychological and moral problems for the individual as for the collective on the whole? There are some who even have had doubts that the great project can be realized.

Among the most important experiences of the PCK party organization is that each working person must get clear, comradely and sympathetic answers to any inquiry. Have we not already been rationalizing for years? What are the safety guarantees for all our installations? What technical improvements are there? What makes work easier? Is there any material recognition for better performance? How will communal institutions adjust to changes in shift operations? All of these questions indicate that concrete answers are expected, relevant to the conditions of the enterprise, but they also always contain handles that make aggressive counseling on the basic issues of our economic and social policy and of socialist rationalization possible. And that precisely is the specific responsibility of our party organizations. They must enable their comrades to advocate in the work collectives the party position on the Schwedt initiative. The campaign position of the PCK party and enterprise collective was developed on the basis of a strategic conception of the general director and the party executive, which is governed by the following basic idea: Any reduction in live labor expenditure must be led rigorously all the way to cutting back on jobs so that eventually manpower is released. That fully conforms with the Marxist idea that the release of labor augments social wealth and is tantamount to a gain in productivity.⁴

Complexity in requirements--that has put its mark on the conceptual line of the Schwedt initiative. It sets down the result to be achieved by 1982 and substantiates the ways and conditions under which fewer workers can bring off the higher achievements for the years to come while operating the equipment they now have. It lays down measures for improving the qualifications needed for new and different work areas and contains the management tasks for the state managers as well as the party organizations, trade unions and other mass organizations. It starts from the proposition that rationalization--as Comrade Erich Honecker has emphasized--as a main factor in raising labor productivity is a "broad requirement," which includes a sound production organization as well as insuring the continuity, a meaningful job placement and the introduction of new technologies and automation equipment."⁵ The conception on the "Fewer Workers Produce More" initiative goes along with that requirement. Its implementation calls for scientific thoroughness and complex analyses of all production and management processes. It calls for great imagination regarding new scientific-technical and technological solutions. It challenges the joy in assuming responsibility and the courage to take a reasonable

risk when it becomes a matter of changing traditional labor and management structures. Experience has shown that this conception induces in all areas, on all levels in an enterprise and in every collective a targeted and comprehensive search for reserves.

The responsible comrades of PCK and, by applying their experiences also the management of the Finowtal chemical factory, for instance, have mobilized all social organizations and many working people in taking an active part in tapping and using reserves through socialist competition by forming a scientific labor organization council, composed of eight working teams, which analyzes the overall process and prepares decisions. Once again these part-time scientific labor organization collectives have been found useful in this process. Something else that was found useful was proceeding gradually, which at PCK amounted to setting up a model area for "petrochemistry," the experiences of which are now being taken over systematically by other PCK collectives and areas. This makes the conviction grow in the total collective that the project can indeed be realized. It gets more of a feeling for its own capacity. And objective and technical decisions that have stood up well permit generalizations.

Experiences From Which All Benefit

Which experiences then turn out to be valid after the "Fewer Workers Produce More" initiative has been in effect for almost a year and a half?

More rational and efficient management structures lead to a remarkable economizing in labor and functional units in that, as a result of analyses of the overall industrial process and of all division of labor relations, organically related complexes are united under new and expanded areas of responsibility.

Enlarged and expanded service area, in the installations connect jobs with one another and, in combination with new labor organizational and technological solutions and with improving qualifications (availabilities), bring about one of the crucial rationalization effects.

Since the collectives in the installation have themselves taken over maintenance, repair and laboratory assignments, this greatly economizes on jobs and manpower in those areas and at the same time makes the work in these installations more diversified, interesting and demanding.

Manpower is also saved when processes in industrial organization are simplified and planning, balancing and accounting tasks are further centralized by means of a targeted application of the expertise principle.

It is becoming one of the high-priority target-functions of the science and technology plan to concentrate scientific-technical work more on the job-saving efficacy of rationalization measures. The emphasis lies here

completing investment projects in progress the manpower allocation for which is to be reduced by 20 percent. And then there also is the improved quality of maintenance, which has to insure greater technical security and the stability of the production plants, through which still more manpower is gained.

The latter is the basic prerequisite for all these solutions in the Schwedt initiative. Each of the factors is tied to effective scientific-technical and technological advances and presupposes a great increase in knowledge and skills, a pronounced sense of socialist ownership and a conscious attitude toward work resulting from it.

Party and enterprise collectives using the Schwedt initiative recognize the high rank of technology more clearly than they did in the past. Technologies and procedures which are saving investments and can do with less personnel are one of the salient points by which a higher, qualitatively improved and more cost-beneficial end product, requiring less manpower, can be produced. Experiences of the semiconductor plant in Frankfurt/Oder indicate that in the work along the lines of the Schwedt initiative, the results of the scientific labor organization studies stimulate new technologies. Many interconnections and interactions in socialist rationalization intertwine through the combination between scientific labor organization and technology, which is more and more noticeably becoming the crucial link in the chain of socialist rationalization.

Political-ideological Leadership--The Basis for Success

One of the key issues for the success of the "Fewer Workers Produce More" initiative is its being included in socialist competition. Being itself an outcome of the competition activities by the Schwedt chemical workers, it naturally has its own decisive source of strength in the contest among the work collectives for producing more, better and cheaper. Honest and disciplined work, creative involvement, clever ideas and comradely fellowship at work, characteristic as they are of socialist competition, are irreplaceable and are fundamental political and moral elements of the Schwedt initiative. Strong party organization activity and political-ideological and political-organizational activity of a high quality are matters that our bezirk management and its secretariat have from the very beginning regarded as a basic condition for success in the Schwedt initiative. We have explained the connection between this ambitious rationalization strategy and the fighting strength of the party organizations in the enterprises and combines at the 13th bezirk delegates conference of the party as follows:

Enforcing the Schwedt initiative--as proven by party work in PCK--largely depends on massively effective propaganda work in the work collectives and on realizing the social significance and great importance of socialist rationalization for implementing overall party policy. Experience has

demonstrated that the requirements contained in the "Fewer Workers Produce More" initiative induce a process of ideological confrontation in the collective and in the individual, and that is something the party organizations have to face. The clarity in position and a combative stance taken by the communists crucially determine the political-ideological maturation process in the entire enterprise collective.

The Schwedt initiative calls for an aggressive position by all members of the enterprise, which will form when the members and candidates of our party set good examples and stand up as initiators of socialist rationalization. That our comrades set a model at PCK Schwedt had its own strong effects. The party collective of the model area conferred and decided which tasks the comrades would have to assume in enforcing the concept of cutting back 20 percent of the jobs and in reorganizing the work collectives.

The exemplary role of the communists becomes all the more effective, the more the formation of firmly structured and strong party collectives is advanced. This basic demand from our bezirk delegates conference is of the greatest importance precisely in the struggle for success with the Schwedt initiative. When many new problems arise and answers must be given to questions incessantly, and when many conflicts have to be resolved, then a confident atmosphere in the party groups and in the department party organizations, exchange of views among the comrades and the skill shown by them in political mass activity through the membership meetings, and the assignment of concrete party missions and the account given for them--all these matters become indispensable criteria for high-grade party activity.

It is among the most valuable experiences of the party organizations at PCK, in the Finowtal chemical factory, in the semiconductor plant of Frankfurt/Oder and in the chemical and tank equipment construction plant in Fuerstenwalde that those matters were constantly kept in the center of activities by the party executives, were discussed in the membership meetings and more and more became of concern to every comrade.

With the 13th bezirk delegates conference the bezirk party organizations boosted their aggressive political work in applying the experiences of the Schwedt initiative in other important enterprises in the bezirk. It is understood that the approach taken at PCK Schwedt can be applied elsewhere only by taking account of any given concrete industrial and special technological conditions. Formalism would do harm even in the case of this good project. No juggling with figures and norms can be the point of departure for anyone's idea of starting the "Fewer Workers Produce More" initiative in his enterprise. The starting point must rather be the uniform standpoint, the combative determination to solve the political and economic tasks of our economic and social policy.

In recent weeks, the bezirk management secretariat received from the party and enterprise managements of 18 enterprises position papers on the objectives they had worked out about this problem. It indicated that several enterprises have already a mature strategic conception on saving jobs and gaining manpower along the lines of the Schwedt example. Those projects have advanced the most in places where enterprises themselves need more manpower for new installations in the next few years. But in principle we are of the opinion that in addition to gaining manpower for putting new capacities into operation a very concrete concern along the lines of the Schwedt initiative must be a higher shift capacity for highly productive basic assets and a further development in their constructing their own means of rationalization. The example of the chemical factory of Finowtal moreover shows that socialist rationalization, through gaining manpower, also is pursuing goals that lie above and beyond the tasks of the enterprise.

Proceeding from the realization that this amounts to new ways and means for insuring the needed performance improvement, the party organization executives and managers reached the following unequivocal conclusion: More than ever this calls for the willingness and ability to analyze one's own work thoroughly and implacably and for the ability to replace previous criteria by completely new ones through unstinting work of co-operation. That has been and is a profound ideological clarification process. It keeps bringing up new problems in the party and industrial collectives which are deriving the general rules from this initiative, for which reason they are all the more in need of systematic support from kreis and bezirk management.

In generalizing the Schwedt experiences the realization also grew that "Fewer Workers Produce More" is most on target and applied most effectively when a close combination is assured between this initiative and the long-range intensification conception in the enterprise. Then the movement for cutting back on jobs does not assume a life of its own but becomes an integral part of the overall process. Altogether it is true in general that well tested and proven methods of industrial management and socialist competition--among them the collective plans of intensification, the notes on the plan, the personal plan offer and so forth--are of great value to the implementation of the Schwedt initiative.

"Fewer Workers Produce More" brings to realization an important feature of socialist rationalization: modern science is combined with the rich production experiences of the workers class.

In preparation of the 1980 plan and the long-term economic tasks, the bezirk management regards as a priority project to enforce the Schwedt model in enterprises in the Oder Bezirk with the greatest efficiency. We thereby conform to the urgent needs for improving our economic efficiency and for making workers, technologists, economists and managers more willing to produce effectively in terms of our main task, for strengthening our socialist fatherland.

FOOTNOTES

1. "Erich Honecker Replies to the Working People in the VEB Carl Zeiss Jena Combine," NEUES DEUTSCHLAND, 23 August 1979, p 1.
2. Erich Honecker, "Die sozialistische Revolution in der DDR und ihre Perspektiven" (The Socialist Revolution in the GDR and Its Prospects), Dietz publishing house, Berlin, 1977, p 25.
3. V. I. Lenin, "The Next Tasks of the Soviet Power," "Werke" (Works), Vol 27, Dietz publishing house, Berlin, 1960, p 238.
4. Cf. Karl Marx, "Das Kapital" Vol III, Marx/Engels, "Werke," Vol 25, Dietz publishing house, Berlin, 1964, pp 271, 703.
5. Erich Honecker, op. cit., p 32.

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GERMAN DEMOCRATIC REPUBLIC

CROP, WEATHER REPORT PUBLISHED FOR OCTOBER 1979

East Berlin FELDWIRTSCHAFT in German Vol 20 No 12, Dec 79 p 568

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in October 1979

An initial cold spell was followed by mild weather right to the end of the second 10-day period in October. The last third of the month was much too cold. The month was unusually poor in rain and rich in sunshine.

Up to 7 October and after 21 October, daytime average air temperatures were persistently below normal, the rest of the time, above normal. Deviations often reached values between 3 and 5K. The warmest period was from 10 to 16 October. Daytime temperature maxima initially lay between 10 and 15°C. Maxima recorded from 8 October to midmonth were around 20°C, on 10 October even up to 25°C. Then maximum temperatures kept going down steadily. After the start of the third 10-day period, values did not go beyond 10°C anymore. By the end of the month, maxima usually lay below 5°C. Ground frosts occurred widespread or regionally up to 8 October, in the last 10-day period, almost every day. Minima recorded locally between 23 and 28 October lay between -6 and -9°C. Duration of sunshine was above normal throughout the whole month.

Any appreciable volumes of rain fell only between 15 and 18 October and at the end of the month (daily volumes mostly between 1 and 3 mm, on 18 October, in many places between 5 and 20 mm, on 31 October, around 5 mm). There were approximately 20 days when very little rain fell, or none at all. On 29 October, the northern plains had snow in some spots forming a temporary light snow cover.

Temperature Data for October 1979 according to the Chief Climatological Office, Potsdam

1. Daily Mean Air Temperatures and Deviations from the Norm

Schwerin	8.2°C	-0.6K	Erfurt	8.0°C	0.0K
Neubrandenburg	7.4°C	-0.9K	Leipzig	8.4°C	-0.3K
Potsdam	7.6°C	-1.1K	Goerlitz	7.4°C	-1.0K

2. Mean Precipitation according to Bezirks

Rostock	15 mm = 28%	Halle	11 mm = 25%
Schwerin	13 mm = 26%	Erfurt	15 mm = 29%
Neubrandenburg	17 mm = 38%	Gera	16 mm = 36%
Potsdam	10 mm = 23%	Suhl	18 mm = 30%
Frankfurt/O	13 mm = 32%	Dresden	17 mm = 31%
Cottbus	11 mm = 23%	Leipzig	6 mm = 12%
Magdeburg	10 mm = 22%	Karl-Marx-Stadt	17 mm = 29%

3. Evaporation Potential

Northern bezirks	20 ... 30 mm
Central bezirks	30 ... 35 mm
Southern bezirks	25 ... 35 mm

Soil and Crop

Surface soil temperatures hardly changed at all during the first two 10-day periods, usually ranging between 9 and 11°C. In the third 5-day period, the temperatures were slightly higher. At the end of the second 10-day period, surface soil temperatures in the southern bezirks dropped, widespread, below the 10°C range. Starting on 23 October, temperatures dropped below that range in the entire area. Because the ground water content (heat storage capacity) was low, the soil cooled off unusually fast. On 26 October already, surface soil temperatures in many places dropped below 5°C. At that time there were regions where night frosts penetrated the soil down to 5 cm in depth, locally even to 9 cm. For the subsoil similar temperature fluctuations occurred as in the surface soil. At a 50-cm depth, temperatures dropped below 10°C around 24 October, at a 100-cm depth, by the end of the month. The respective soil temperatures there, on 31 October, ranged between 5 and 7 and between 7 and 9°C. Until midmonth, ground water content declined. Rains thereafter caused a slight increase in ground water. During the third 10-day period, the reduction in ground water continued. At the stratum down to 50 cm in depth, values recorded under the turf in most bezirks yielded less than 30% of usable field capacity. Ground water conditions were somewhat more favorable along the coast and in the bezirks of Cottbus, Gera, Karl-Marx-Stadt and Dresden (30 to 50% of field capacity). Soil climatic conditions were extremely unfavorable for composting, nutrient mobilization, soil

working, the root crop harvest and the coming up of the winter crop. By the month's end the ground water deficit at a 1-m depth below the turf at light and medium soils ranged between 80 and 150 mm, on heavy soils, between 100 and 210 mm. For deep-rooting crops, the deficits are likely to have been higher. Average precipitation volumes for from November to February in the plains of the GDR range between 140 and 180 mm. Because we must expect losses from runoff and evaporation, above normal precipitation during the winter is definitely necessary for getting the soils up to field capacity. This is less serious with regard to the area east of the Meiningen-Leipzig-Bad Freienwalde line which got lots of rain in the third 10-day period in September.

Scarcity of rain and frequent early frosts in the first and third 10-day periods greatly hampered vegetation. Due to the water shortage, crops could not fully benefit from the favorable temperatures between 8 and 20 October. Frequent and strong dew formation during that period somewhat improved the supply of natural moisture. The late growth capacities of cultures reaching their full growth late (sugar beets, late vegetables, summer catch crop resistant to early frosts) were affected all-around. Also the pre-winter development of the winter crop, which often came up hesitantly and unevenly, is likely to have suffered from it. This applies particularly to the winter rye areas cultivated after 10 October. Weather advantages may be deduced with respect to the hardening of the winter crop which, due to the weather, had to form an efficient root system, increased cellulose concentration, and caused hardening conditions. Maturation processes and substance accumulation are likely to have been furthered by that. Beginning on 23 October (in the southern half already on 22 October), daytime average air temperatures dropped below 5°C. That virtually did away with any further chances for growth. The final phenological phases (the dropping of the fruit, the changing of the leaves, and the dropping of the leaves) are likely to have come somewhat too early.

Despite the hard ground conditions, fall activities attained a lead of from 5 to 10 days over comparable periods in previous years. The potato and silo maize harvest was by and large completed by midmonth. Two-fourths of the acreage of sugar beets had been taken care of by the end of the month. The winter rye seeding was almost completely finished within the second 10-day period. For the winter wheat, circa 10 percent of the acreage allotted to it still had to be cultivated by the end of the month. In seed bed preparation, the dry and hard soil called for an increased working effort, which led to more wear and tear in the equipment. On the hard clay soils especially it was hardly possible to reach the full quality parameters. There was loss from breakage in the sugar beet harvest. Dusting also interfered with field working. For the aeration of crop in storage, less favorable meteorological conditions existed only during the second 10-day period.

OFFICIAL INTERVIEWED ON ENTERPRISES' 1980 PRICE POLICY

Budapest FIGYELO in Hungarian No 45, 7 Nov 79 pp 3, 4

[Interview with Laszlo Racz, head of the Economics Department of the National Material and Price Office, by Dr Gyorgy Varga, deputy editor-in-chief of FIGYELO]

[Text] Development of the system of economic direction in 1980 will be based on improvements of the price system and the price mechanism. Understandably, the attention of economic specialists is turning toward this topic: most questions and remarks, whether supportive or critical, are related to this question. This has been the case, for example, at the enterprise advisory organization of the Economic Research Institute, where modifications of the system of regulators have been discussed recently. The transition to a competitive price system brings up a number of practical questions. Dr Gyorgy Varga, deputy editor-in-chief of FIGYELO presented these questions to Dr Laszlo Racs, head of the Main Department of Economics at the National Material and Price Office.

The Reasons Behind Repeated Price Changes

[Question] Enterprises completed their work on repricing based on guidelines specified by central or sector authorities, as preparation for the transition to a new price system. This, however, led to a larger workload than expected because of the need to do the repricing several times in succession. What was the reason behind this?

[Answer] Successive recomputation of prices was not made necessary by changes in the methods for calculating competitive prices; it had to be done because a new and powerful wave of price rises occurred in world markets at the end of the first quarter and in the weeks following it.

World price increases called for reduced exchange rates. The size of these reductions, however, was less than the rise in the price of imported products. As a result of the deterioration of the terms of trade, we had to repeat the price calculation process under more stringent conditions with a view towards adapting to changing price relationships.

[Question] Was the repetition of the price calculation process made necessary only by the consequences of unfavorable trends in the world economic situation?

[Answer] No. Prices had to be recalculated also because the enterprises built rather substantial reserves into their recalculated costs. Enterprise profits generated in this manner would create more investment purchasing power and wage development resources than the national economy is capable of providing. This would necessitate a rise in tax rate which could weaken profit incentives. In sum, the rational solution was a recalculation of prices once again in the processing industry.

[Question] Does this mean the end of this operation and that no more "rounds" are on the horizon?

[Answer] I am afraid I cannot give an affirmative answer. In the future we can expect more "rounds," partly due to the continuing movement of world market prices. Another reason why we cannot regard this operation as complete is that we did not raise the domestic price of certain base materials to world market levels in the first phase of price recomputation; we expected some softening of these prices. Since then, the price of certain raw or base materials have indeed gone down (e.g., leather). However, the high world market price of the majority of products is still in effect. The price of some base materials, e.g., lumber and iron, is still below world market prices, after the price increases. Thus, if the world market price is not going down, then domestic prices must be corrected. The effect of this move will ripple through almost the entire national economy, due to the large number of users.

[Question] Do the new pricing principles, coupled with the above, imply that price recomputation might occur once again, even as early as 1980?

[Answer] Yes; this is part of our flexible adaptation to international market prices. This is why we must plan in a way that provides the ability to implement rational price corrections when circumstances require.

Following World Market Price Trends

[Question] According to the pricing principles, domestic prices must be set in accordance with long range trends in foreign trade prices. What is the interpretation of "trends?" Which price movements are to be regarded as "long range?" In other words, how are we to interpret the following of world market prices?

[Answer] We studied world market price trends and even domestic price trends of several nations in great detail. Still, I must say that our knowledge regarding the precise relationship between external and domestic prices is quite insufficient, due to the lack of practical experience.

In truth, we do not know what system of reserves is used by large capitalist enterprises to support their pricing policies. For example, these firms do, on occasion, raise the price of finished leather products only slightly, even though the price of raw leather is rising significantly. We do not know enough about the way the risks of such a pricing policy are handled. Therefore, even though we are being more flexible in setting the prices of base materials, our pricing policy is conservative in view of our need to gain more experience. With the exception of energy resources, we freed the prices of all raw and base materials as well as the prices of basic semi-finished products; thus, these prices are now within the realm of the price policy of enterprises. Enterprises can set up internal accounts to provide the ability to accumulate reserves when import prices are low and to use these reserves when import prices are high. Even so, it is not always completely clear which pricing policy is right in a given situation, when we try to adjust our domestic price proportions to world market in base materials. We believe, however, that with the existence of these internal accounts the processing industry will not simply acquiesce in any and all price increases when trying to adjust to exports. An important element of our new pricing mechanism is a much tougher price bargain between the processing industry and the base material procedures.

Our plan is to study, on a quarterly basis, price rises in the world prices of base materials and the role of these price rises in capitalist world market price system. We follow domestic reactions and the effects of possible price changes. If price trends occur which are contrary to the interests of the national economy or if domestic enterprises set their domestic prices according to transitory movements in world market prices, then the price authority has the right to suspend price increases for the most important base materials, for a period of three months, based on compulsory registration requirements.

If world market prices show a definite tendency for a period of three months, and the tendency persists through the three month grace period, then from an economic standpoint there is no sense in continued "defense" of domestic prices.

[Question] Can the three month waiting period cause economic difficulties for the enterprises concerned?

[Answer] Yes, it can. This is why it is necessary to provide an economic margin to base material producing enterprises; if the internal account proves inadequate, then we are willing to accept steeper price rises after the expiration of the grace period than three months earlier. At the end of the first quarter of 1980 we shall survey the price picture and evaluate long range trends on the basis of international price movements during the preceding three quarters.

We are preparing, as early as April, to raise the prices of certain base materials or accept price increases that have already occurred. In the subsequent period price trends must extend over a one quarter period in order to be considered stable. This, however, does not mean that domestic prices will automatically reflect the effects of international price movements at the start of the next quarter.

[Question] In practice, then, the delay will be at most six months...

[Answer] This is correct. Nevertheless, it is important to point out that, for example, at the end of the second quarter, enterprises will be aware not only of the price movements of the preceding period: they will also be in a position to predict, with a high probability, the pricing trends of the following period, in part because enterprises have binding contracts. The new price calculation rules permit the inclusion of contract purchase prices and all well-founded planned costs into the computation of prices.

We will probably have to interpret the concept of long range trends in such a way that price movements must be reasonably clearly foreseeable in order to be considered long range trends. However, in the sphere of base materials the concept of long range trends will probably have to be interpreted shorter than in the case of finished products; this is because it is clearly in our interest to be able to incorporate changes in international price movements into the material purchases of our processing industry.

[Question] Presumably this will make it easier to buy when prices are low and sell when prices are high. However, more flexible adaptation to international price developments requires these decisions to become truly a part of the price policy of enterprises.

[Answer] I agree with this statement. This is why we are dropping prices set by authorities for the majority of base materials.

Following world prices is especially problematic in the area of processing industry products. This is in part due to the lack of a world market price (e.g., exchange price) for finished goods in general. In addition, there is a wide selection and the number of customers is generally large; sales are possible at various price levels. This results in some sort of an average for each enterprise. It follows that price movements can only be regarded as general trends. Therefore, average prices in this sphere may be considered stable only after they have been in effect for a longer time interval. Nevertheless, it is not advisable to stay apart from world market price movements.

In Keeping With Export Prices

[Question] How can we bridge this contradiction?

[Answer] Through the preparation of realistic export price and profit plans by enterprises making finished products whose prices follow export prices. These plans must be constantly "maintained" as a function of their implementation in order that the enterprise would be capable of adjusting the prices of its domestically marketed products to the export price levels. There may be divergences with regard to price structures since, for example, the domestic marketing framework may be very different from the international one. However, one of our requirements is that the direction of long range domestic price trends may not be different from export price trends. Thus, enterprises may consider the relationship between supply and demand when selling their products at a higher or lower price in the domestic market; however, their average domestic price trend must be in keeping with our export price trends.

Thus, calculations may be based on export efficiency. In other words: computed profits may be as high as the enterprise is capable of reaching in exports over the long run, but the regulations permit divergence from calculated prices in accordance with the value judgment of the domestic market. However, even with these divergences, the average prices of the enterprise must move in accordance with the direction of the export prices of the enterprise in question.

[Question] This seems like a rather complicated method for price calculations.

[Answer] This is true, but this is needed to avoid abuses of price calculations based on export efficiency.

[Question] Could you give me a practical example?

[Answer] If we were to regulate only calculated profit rates then enterprises would be able to modernize their production for export only (the plant or assembly line producing for export). The high profits achieved in this manner could then be projected onto the total cost of other product lines, even though the latter have not been modernized at all. This kind of practice could lead to massive price rises. We intend to prevent this mainly by ensuring that the price index of domestically marketed products cannot deviate from the export price index.

[Question] If I understood you correctly, there will be two sets of controls. On the one hand, for the first time in the history of the Hungarian price system, enterprises will be given guidelines regarding their profits, which in turn will depend on the profitability of their operations. On the other, the export and domestic price indices of enterprises will be compared. Thus, in the final count, this dual approach will become an important tool in preventing the "takeoff" of domestic price levels.

[Answer] Yes. In the competitive sphere, prices will be subject to stricter limitations than before. However, these limitations will also be necessary in other areas of the national economy. In the competitive sphere, representing about 65 percent of industrial production, efforts to raise prices are held in check by export prices. In the area of agricultural products, food and services, the price policy of the authorities plays the same role. In sum, the sphere where inflationary trends are held in check, either by price competition or state price policies with a contemporary interpretation, may be estimated at about 70 percent of the national economy.

If the financial system is sufficiently normative (and if money will indeed become a limited resource for enterprises, one that cannot be obtained by claiming all kinds of exemptions) then, from a price standpoint, even the economic organizations operating in non-competitive areas will be subjected to rather strict limitations.

Competitive Price and Monopoly Position

[Question] I think there is one more important precondition: there must be a lessening of shortages in the national economy and an improvement in the qualitative and structural equilibrium between domestic demand and supply. If this criterion of economic policy is lacking, then it will be difficult to preserve the normative character mentioned above or to stabilize prices. Do you agree?

[Answer] Completely true. This involves more than simple problems of calculation. The new price system was forced on us by our economic situation: economic progress is not possible without intensive price influences. On the other hand, however, economic processes must be such that they encourage the operation of the new price system in the desired manner.

I am convinced that this price policy will, in some way, pave the way toward the progress of the Hungarian national economy in the direction of a restored trade balance.

If, however, we fail to achieve rapid results in creating the conditions necessary for the operation of competitive prices, especially in the area of improved trade balances, then we can expect a number of negative effects due to the price system. For example, we will probably be unable to resist pressure toward a relaxation of normativeness. If it is not the market that judges our products, and we still insist on normativeness, then economic orientation may turn in an incorrect direction.

[Question] To continue with the list of practical questions, does the present enterprise structure and the multitude of monopoly organizations present an obstacle to the operation of a competitive price system or to the spreading of its effects?

[Answer] The monopoly character and situation of economic organizations will be weakened in a competitive price system. Assuming that the national economic balance improves, prices may become truly competitive and the same will be true for enterprises. Even our present price calculation method forces enterprises to behave as if they were operating under competitive conditions, despite their monopoly position. This is because the enterprise must set its prices competitively, otherwise it would earn unfair profits. This is forbidden. Under present regulations, competitive prices will become truly competitive as economic balance improves and the mobility of economic resources keeps increasing.

[Question] At present, there exists a "cold war" atmosphere between the manufacturers of components and finished products. The manufacturers of finished products feel that they are at the mercy of their suppliers and have no choice but to accept their asking price. Can we expect any changes in this regard?

[Answer] I am certain that the new price system will reduce the distance between suppliers and enterprises doing final assembly: their interests will converge. For example, if a clothing factory uses imported materials then it can use the profits derived from its exports to contract with a domestic supplier for the purchase of raw materials of a sufficiently high quality to enable it to produce export quality goods. Thus, in this area we will not see those particular interests which characterize the behavior of enterprises at present. As one of the basic cases of competitive price calculation, the legal provisions permit a division of profits between enterprises engaged in a long range supplier relationship, of course, without relaxation of prices. We may add that enterprises will be more cost-sensitive and therefore less inclined as users to accept any price.

External Market Information

[Question] In the future, enterprises will have a stronger interest in raising export price levels than they have at present. Can these incentives result in a lessened emphasis on the effort toward increasing the volume of competitive exports?

[Answer] Indeed, we would have to consider this danger if profitability were the only factor affecting prices. In this case, enterprises could simply abandon relatively less profitable exports and thereby improve export profitability without a great deal of effort. This will not improve the national economic balance. With reduced export volumes the only "achievement" would be the raising of domestic prices. In short, society would suffer double damage.

At the start of the new price system and price mechanism we defined the relationship between the profitability of individual enterprises and the profitability of exports. At the time of price movements, however, we will

look not just at profitability but also at price and sales volume. It is true that the new system of prices and regulations does not expressly encourage increased sales volume. Their main incentives are aimed toward improved efficiency of exports by enterprises. It does not permit, however, the abuse of efficiency in the sense of simply dropping relatively less efficient products rather than increasing initiative, development and improving market activity. The enterprise will be able to raise its domestic price level only in case it also raised its export price level, which is expressed in effective currency earnings, i.e., export volume.

[Question] In this case, will it be possible for an enterprise to raise its domestic prices while reducing export volumes by eliminating the production and export of products which are definitely uneconomical?

[Answer] Yes, but in this case the action of the enterprise will be considered in a different light. I can also mention that it will be possible to make agreements with enterprises making products requiring long processing time or exporting especially large quantities whereby the automatic adjusting of prices may be slightly modified or calculated over longer periods.

[Question] The fundamental changes in the price system and price mechanism already decided upon will demand substantial changes in the pricing activity of enterprises, since it will not be possible to continue using the same methods and attitudes in setting price policies. In your opinion, are enterprises prepared for this change?

[Answer] Our preparatory work has already shown that enterprises face the greatest difficulties in adapting to rapidly changing conditions and making the necessary forecasts. It is our intention, therefore, to vastly improve external market information, especially with regard to base materials. This includes not only producers but also users. The Price Office, the Ministry of Foreign Trade and the Business and Market Research Institute are jointly organizing an information service. In addition, it will be in the manifest interest of each enterprise, especially in the processing industry, to keep an eye on market prices, since the new incentives force them to engage in an active price policy and bargaining, as opposed to the rather passive market price policy that has existed in the past. A number of enterprises already recognized the necessity of doing this; they assigned highly talented and experienced specialists to keep tabs on market price trends. Market and price forecasts for enterprises and industry sectors are becoming an indispensable part of enterprise strategy.

Central authorities must also reevaluate their working methods. They must recognize, among others, which price movements represent genuine long range trends and which are only transitory fluctuations. Lacking such knowledge, it will be difficult to judge the merits of ventures, risks, etc.

I mention that, in cooperation with KSH [Central Statistical Office] we are reevaluating the range and content of the nomenclature of items subject to observation in order to reduce the distance between domestic and foreign market price indices, thereby enabling enterprises to better utilize these indices in their price calculations.

[Question] There are still many professionals in enterprises who say that if they are required to follow world market prices then they should also be told what the world market price is...

[Answer] I understand the problem. What we are saying to the enterprise right now is that "you should follow the world market price according to your own best judgment and we will check on you." This will result in a different course of action on the part of enterprises since no one can expect us to think for them.

Similarly, many do not see the difference between prices set by authorities and price changes subject to reporting. There is a big difference. The latter assumes that the enterprise arrives at a conclusion based on careful foreign and domestic market and price analysis, instead of the price authority making a decision on a "justified" price. This is a different kind of responsibility involving different risks. Before, we followed international price movements with a delay of 2 to 3 years, whereas the delay now is at most a few months. This makes an important difference for those who have to make business decisions.

We said before that our market is, to some extent, a simulated market. To ensure that this market is subjected to real influences available for economic analysis, we must have a thorough knowledge of export price trends and those export price indices which enable us to find out, even without true competition, what the justified price should be. Our foreign trade organizations face an especially important task in this regard, together with the professionals working in foreign trade. They have to explore the characteristics and special features of the market for particular products. They are the only ones who can do this job.

9164

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ENTERPRISE INCOME REGULATION CHANGES EXAMINED

Budapest FIGYELO in Hungarian No 45, 7 Nov 79 p 5

[Article by Istvan Kolarik: "Changes in Enterprise Income Regulation"]

[Text] The regulations fixing the 1 January 1980 changes in the regulator system appeared recently. The work of several years has thus ended. In what follows we will describe a few of the chief considerations going in to the change in the income regulation system and some concrete interdependencies thereof.

By way of introduction let us note the two basic tasks of enterprise income regulation--the so-called balance function and the requirement of distribution according to efficiency.

The balance function means that the system must automatically centralize a certain proportion of the net income being generated in the people's economy. The magnitude of the centralization relates to balance conditions in two ways--in a given year it determines the incomes deriving from the state enterprise, all the resources of the enterprises which can be turned to personal incomes and a part of their developmental financial resources and at the same time, with a delay of one year, it fundamentally influences the enterprise incomes which can be turned to developmental purposes, the developmental funds generated from profit.

Regulation and Balance

Two circumstances influence the way in which regulation carries out its balance task. One of these is the ratio within social net income represented by elements outside of profit--withdrawn income or "negative" income and supports. The other--which in any case is already unambiguously determined by the former, by the income demands of tasks to be carried out by the state--is the average extent to which the budget shares in the profit. So it can be said that the centralization of profit is actually a question of magnitude to which the answer is given by the structure of the net income. One of the chief elements of the 1980 changes is the role played by centralization in the structure of net income and, as a function of this, how this is realized by the average centralization of profit.

The 1 January 1980 changes in income regulation are linked to the complete transformation of the price system, which is to say that the structure of net income will fundamentally change too. The most characteristic aspects within this are that the charge on assets will be abolished, the wage contribution will be moderated, the turnover taxes will increase and--because of the conversion to a world market price base--the importance of allowances (more precisely the differential producers turnover taxes) will increase. This--and, naturally, the modification of the prices--will influence the magnitude of profit generated.

Preliminary calculations permit one to conclude that total enterprise profits will be greater in 1980 than were generated earlier. Although many dispute this we must reckon with the generation of greater profit than originally and, as a result, with an uncertain development of the structure of net income. This explains why the magnitudes used in the income regulation system are relatively strict. It is obvious that in the given situation the proper solution is to have the magnitudes characterized by caution, by preparing for the worst case because if the facts do not justify the preliminary "apprehension" it is always easier to make concessions later. This is why the magnitudes which became generally known earlier were modified in the last phase of the regulatory work; this is why the key for the social insurance contribution became 24 percent; this is why the key for the average profit tax had to be set at the upper limit of the proposed 40-45 percent range. Thus the net income appearing as profit could be narrowed somewhat and--taking into consideration the fact that the magnitude of the urban and community contribution will be around 10-15 percent and the progressive tax on the share fund will probably be about 10 percent--the centralized proportion of the profit will somewhat exceed 60 percent, thus providing some guarantee in regard to state income.

Such a setting of tax magnitudes is a necessity dictated by the financial balance situation. At the same time there is an area in the regulators influencing the income which can be used by the enterprises where there has been a relaxation as compared to earlier; this concerns the system of obligatory reserves. Deviating from the earlier rules the magnitude for generating the annual obligatory reserve fund has been set at 15 percent. This means that the ratio of resources which can actually be used by the enterprises (their funds serving interest relationships) will not decrease within profit as compared to earlier even though the ratio of profit withdrawn as taxes will increase. Later, depending on the general balance situation of the people's economy, it may be possible to change the prescriptions influencing the other component of the reserve rules, the so-called minimal obligatory fund level. Concretely this means that--to the extent permitted by the development of developmental and personal incomes--the reserve funds used prior to 1980 can be taken into consideration in gauging the fund level. This would certainly mean that in practice the enterprises would not be forced to generate an obligatory reserve fund.

Profit Ratios Among Enterprises

The other fundamental function of regulation is distribution of incomes according to efficiency. This task can be carried out to the extent that regional and temporal normativity are characteristic. This is certainly a key question of the present modifications. The regulators to be introduced on 1 January 1980 are certainly more uniform than earlier. The extensive production tax system generally used before will be abolished; supports will be limited to a narrower sphere; profit tax concessions will be practically eliminated; and leaving behind amortization will be much rarer than before.

Naturally we will retain individual financial bridges; this is made necessary by the situation of our economy and of some of our enterprises. But the changes will have the result of making much clearer and more definite than before the differences between enterprises and the process of differentiation will become sharper. Thus—taking into consideration the thinking pertaining to the price mechanism including before all else the fact that our prices will be more flexible than we are accustomed to—it can be hypothesized with good cause that profit and profit differences will become substantially more reliable measures of efficiency or of differences in efficiency.

It is a concrete manifestation of the intention to strengthen normativity that in their accounts the enterprises will distinguish between achievements according to balance and achievements serving as a basis for interest relationships. The latter contains the supports and special withdrawals too. This is the starting point for taxation and for generation of the interest fund while the former is the basis for economic analyses.

Normativity also supposes that a distinction will be made for those activities where a consistent functioning of profit interest is senseless. This is why the Council of Ministers decree concerning enterprise income regulation exempts those areas in regard to which the minister of finance can write and prescribe unique rules.

Profit Taxation

The system of profit taxation is also intended to facilitate differentiation with its own tools. In addition to the fact that taxation must correspond to the balance or income centralization requirements taxation must also regulate the use of enterprise incomes according to goals, that is it must influence the ratio of consumption and accumulation at the enterprise level, the ratio of finances turned to increasing developmental and personal incomes. The urban and community contribution is the first of the withdrawals burdening the gross (untaxed) profits of the enterprises. Beginning in 1980 we will abolish the charge on assets and the salary tax, which also provided income for the councils. So it is justified to increase the magnitude of the urban and community contribution for without this the level of support for the councils coming from central funds would exceed two thirds of their income and this would be a ratio which would produce a new situation in interpreting council independence.

The second element in profit taxation is the linear (general) profit tax. The profit which has already been linearly taxed can be put into the developmental fund without any further taxation.

In the course of preparation they repeatedly brought up the old proposal that the magnitude of the profit tax should be differentiated, usually, of course, differentiated "downward." Fortunately this did not succeed. The uniformity of the magnitudes is an indispensable element, although only one element, of normativity. A lower than average tax magnitude--in addition to questioning the uniformity of the system--is not acceptable because it would provide an unjustified advantage to certain activities otherwise in the same situation as the others; in the case of a profit of the same magnitude a decreased tax magnitude would result in more useable income.

A progressive tax will continue to burden that part of the profit used to increase personal incomes. The progressive tax system for the shares fund will be modified beginning in 1980. The essence is that the magnitude of the tax progression will depend not only on the magnitude of the shares fund generated in proportion to wages but also on enterprise profitability (Ny/E-B) [Possibly: Profit divided by achievement plus wages]. Thus the tax progression will be greater for enterprises realizing achievements less favorable than the average while those managing more profitably can generate shares funds with more favorable conditions.

A number of factors justify the modification. The magnitude of the progressive taxation in effect greatly limits the generation of the shares fund; or, in the case of generating shares of the necessary magnitude (not significantly behind the surrounding average) the centralization of profit decreases the developmental funds. We are not now in a situation to realize a uniform tax moderation; but it does seem justified to put those which are managing more profitably in a more favorable situation--naturally to the detriment of less efficient enterprises. So the progression is being decreased for them.

It can be counted as a positive feature of taxation without obligatory sharing that the differences in enterprise profits appear in a differentiation of the developmental funds. It cannot be a matter of indifference in the period ahead how the extra developmental funds are distributed according to profitability. With this modification those who are managing more profitably will be able to generate larger developmental funds even with the same bulk profit and shares fund. This might be formulated in this fashion, that the more profitable, dynamic enterprises automatically receive a tax concession while those managing less efficiently will be forced to limit their developmental fund generation because of the higher progression.

The appearance of profitability in taxation might make the volume interest of the enterprises. Earlier even investments which required large expenditures but resulted in low profitability also increased the volume of funds

which could be used. The modification will decrease this effect because in the case of low profitability the magnitude of the funds which can be used will decrease even with an increasing bulk profit if the enterprise does not drastically moderate the shares fund.

Differentiation and Tolerance

In the final analysis the modifications must result in an increasing differentiation among enterprises so that differences in profitability will really influence their developmental possibilities. This places a demand on regulation too--it must have tools with which to deal with extremes, to help the development of the outstandingly good and to take action in the case of the weak, the stagnating or declining enterprises. These rules are working well if there are appropriate central decisions in regard to declining enterprises or enterprises which may have to be abolished, if the background of regulation is not an obstacle. Naturally this does not mean that large numbers of enterprises will be put into an impossible situation overnight; they will only gradually have to face the more strict conditions, there will be time to prepare and to take the necessary measures. But the phasing out of the transitional preferences will be consistent and differentiation will increase.

Differentiation, however, places demands not only on regulation. We must be "psychologically" prepared for the fact that enterprises will be working under different conditions and as a result differences in profitability, for example, will not rigidly follow the ranking of the enterprises according to size. We hardly need to draw a lesson from the experiences of years past. Earlier the biggest problem in general was that we had minimal tolerance in regard to differentiation among personal and enterprise incomes. To a large extent it was this lack of tolerance that hindered a consistent realization of the effects of the regulator system. Perhaps the most essential requirement in the period ahead is that economic guidance and the enterprises alike take cognizance of the demands being made by the new conditions; from now on our attention should not be centered on how we can criticize the new regulators but rather on how we can manage ever more efficiently by using them rationally.

8984

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MANPOWER REGROUPING, WORKERS' INTEREST DISCUSSED

Budapest POLITIKAI FOISKOLA KOZLEMENYEI in Hungarian No 2, 1979 pp 3-15

[Article by Jeno Andics: "Manpower Regrouping and Workers' Interest"]

[Text] Well known to everyone are those world economic trends--including the price movements now a permanent process on the world market--which raise new requirements for us in our foreign economic relations. Adjustment thereto calls for flexible transformation and further development of the Hungarian economic and product structure. Also generally known are the changes which have occurred in the internal conditions of our development. With the exhaustion of the manpower sources, changes in the composition of the manpower demand can be solved decisively with the redistribution and regrouping of the available manpower supply. Our technical development is also under acceleration, something which according to international experiences also speeds up manpower mobility. In brief, this is the economic background which in recent years has stimulated more and more urgently the already recognized requirement for a manpower regrouping of appropriate proportions.

In 1979, practical measures were already carried out at a number of enterprises. Recently, public opinion has been taken up in a lively way by news of the "dismissal of workers" at Gyor, and the problems of manpower regrouping in the mass communications means have also been given greater scope. The political mechanism has also set itself in motion. The summer session of the National Assembly emphasized strongly the economic need for manpower regrouping, and at the same time that great attention would be devoted to the solution of the problems faced by the transferred workers. And although the manpower movement which can be ascribed to modifications of the production structure has hardly begun, the presidiums of the government and of SZOT [National Council of Trade Unions] at a joint session took a position regarding the conduct of the manpower regroupings, and also called attention to several important elements in the protection of the interests of the affected workers.

The manpower regroupings do not as yet pose an acute problem, but we must already deal with it. In any event, we are concerned with a lasting process and not with a campaign task that will go on for a year or two. Manpower regrouping is characteristic of an entire economic development period, and even if we do not need to dramatize¹ its anticipated dimensions, the working people, including a significant part of the workers, will be concerned that we handle it as an important political and economic problem.²

As for public opinion, the spectrum of its value judgments extends from full agreement to firm rejection. It is chiefly inter-enterprise mobility which stands at the center of interest and is fully justified. Manpower regroupings rise in one way within the enterprises and in another way among individual enterprises. I wish in the following to deal basically with manpower regroupings among the enterprises.

I am convinced that we must regard manpower regroupings as the natural condition of a developing socialist economy. A really dynamic and forward-moving economic development is simply inconceivable without changes in the economic structure, and these changes are obviously the consequences of modifications in the structure of employment. It can easily be perceived that for such reasons the movement of the generations cannot form a necessary and constantly present manpower mobility (if for no other reason than that the latter is essentially slower than what the development of the economy requires). Perfectly normal, therefore, is a situation in which there is no guarantee that a given worker will retire from the same workplace where he started his career, or that he will unconditionally remain in the same workplace and work area that he would like.

Our thinking has been permeated by the practice of recent years and decades that the normal and usual condition for everyone appears to be that the individual will remain at one workplace and in one work area until he decides otherwise on his own. The custom could raise antiphanthies to change, but it cannot make us forget that formerly too we paid a well-definable price for the stability (slow changes in the product structure, chronic efficiency problems, laxness in work discipline, performance deficiencies as evident in many places, and so forth). It was exactly these things that were surfaced--and very sharply--by large-scale changes in the world economic positions of the country: thus the cause that now requires us to make changes was present earlier.

In addition to our world economic situation, we are also stimulated to more intensive manpower regrouping by the conditions of our internal development. The continuing economic growth of Hungary has depended for a number of years, above all, on a speeding up of technical-technological development. An decelerating technical progress, however, does not recognize a manpower structure which is unchangeably fixed. A rigid manpower structure is the same as slow technical progress. For example, underdevelopment of the service sphere has been our problem for many years--an increasingly greater

problem. We can terminate our relative lag in the tertiary sector at a relative faster rate if, among other things, we also improve the manpower situation. That is, a rigid manpower structure necessarily brings with it a preservation of the lag in the service sphere.

In order for the manpower movements to coincide with the development needs of the economy, we must create the necessary conditions for a well-considered management of mobility. Such a basic condition includes taking into account the interests of the workers affected by the manpower regrouping, and the development of an appropriate interest mechanism. We must regard it as a natural condition that both sides--employer and employee--should have the same degree of freedom to decide on the uses of manpower. Today the employee has a greater degree of freedom in this respect (although naturally not an unlimited one). This does not make it necessary, of course, to restrict the freedom of employees' decisions, but neither can a situation be maintained wherein a worker, by using legal means, can make a decision about the maintenance of his work relations essentially at any given point of time, while the right of the employer is essentially more limited. To change this situation, it is very likely we need certain changes in statutory provisions, but it is also at least as important to change the outlook that adheres to this unequal situation.

But we must immediately add a restraint to the latter. A degree of freedom which is legally identical from every viewpoint is always favorable in economic relations to the economically stronger party. The various areas of the economy afford many examples of the fact that the economically stronger enterprises--because, for example, they have a monopoly--"reduce to obedience" their weaker partners and essentially make them defenseless. A formal contractual equality cannot obviate the economic advantage.

Although the employee is not fully defenseless either, and in fact given a significant manpower shortage and the relations of strong competition waged for manpower, he has considerable means available to him on the labor market, he is still in a weaker situation in relation to the enterprises. The latter can realize their goals in the possession of the complex means system of their organizations, while the employee can use only those individual means which are permitted to him by the decision-making rationality developed in his own individual life. The more limited possibilities of the worker derive partly from the fact that although we can always find class layers and groups on the manpower market, he is present at decisions on work relations not as the member of an interest group but as an individual. On the other hand, the employer always appears directly as the representative of an interest group. If we view only the characteristics of the labor market movements, the position of legal equality conceals an actual inequality.

Of course, workers have not stood defenseless before their enterprises up to now either, the protection of their interests has been carried out by institutions both legally and politically. An increase in the action

freedom of enterprises also calls apparently for an intensification in the effectiveness of interest protection. But all this does not argue against the necessity of manpower regrouping, and particularly we cannot accept as an adequate argument a conservation concept which attacks the fact of manpower regrouping itself. In my opinion, therefore, what Imre Pozsgay said about this situation is valid: "Let us not allow those to be discredited who have in mind the interests of society over the long range and who, perhaps even accepting temporary stresses, strive to establish a more securely based economic structure."³ The magnification of the existing stresses objectively favor the preservation of trends directed at occupational and in final analysis economic structural conservation. Therefore such views, independently of the intentions of their supporters, are reactionary and fail to represent the views of precisely those whose interests they point to.

At the same time it does not follow from the foregoing that we must accept any form of manpower regrouping without reservation. In manpower management practice there is also a conflict of employer and employee strategies behind which rational interests are concealed and which find the most purposeful ideology on their account.

In my experiences, one frequently finds among enterprise managers a kind of "economist" ideology which reflects the manpower management outlook of the "technocrat." Such an ideology is essentially the sphere of those rational decisions related to manpower where, on one hand, there is no better rationality than economic considerations and, on the other hand, the best service to workers' interest is represented by the introduction of efficient manpower management means. This ideology operates exclusively with efficiency, costs, and productivity, and it regards the solution of the problems of enterprise-initiated manpower regrouping as having been achieved if there is a revival of the "factory quadrilateral" in given decisions, or if other democratic enterprise institutions are also linked into dismissal decisions.⁴ Its characteristic feature is that it calls on one kind of abstract interest of society as a whole although in fact it brings up a very characteristic partial interest: enterprise manpower expresses a point of view that is oriented to a narrowly interpreted economic efficiency and does not reckon with social consequences.⁵

Another typical system of reasoning which appears in practice is represented by a kind of "political technocratism." This is an ideology which, to be sure, is aware that in given cases manpower regrouping can affect the interests of the workers adversely, but regards this as of necessity bad. In part, it points out that there are not solutions free of conflict; and in part, that it is necessary to subordinate the adversely affected minority interests to those of the majority, and thus it regards as non-essential the countering of these disadvantages according to possibilities.

In regard to its possible effects, this latter outlook is more dangerous than the former one. While the one-sidedness of the "economist" ideology can be exposed relatively easily we are dealing in this case with a politically arguable concept disguised in the partial interest ideology. It calls on the interest of the majority, and seemingly in every concrete instance it can clearly demonstrate the realization of majority interest.

In the case of the "economist ideology," behind-the-scene interests can be seen relatively easily; but in the case of "political technocratism" we must show its existence. But in my opinion, we are speaking precisely of the same matter in the second as in the first.

Although workers' interests affected by the manpower regroupings--at least those affected adversely--are of a minority nature in single concrete cases, it is not correct to confront majority and minority in this way. In every concrete case of manpower regrouping where indisputably the minority worker is affected, it cannot be excluded in principle in the case of a single workers' class or group that sooner or later they will be affected also. In fact, it is almost certain that--within the enterprise or without--the process will affect every group and class of workers. For this very reason it is true that a concrete case affects minority groups, but the manpower regrouping as a process is embedded in the interests of the entire working class.

In addition, the mechanical confrontation of majority and minority interests does not interpret appropriately the nature of the actually affected interests. Whether we are speaking of the reduction of an excessively inflated number of personnel or of manpower mobility following a change in the product structure and other instances of technical development, we must perceive we are placing the full burden of the changes on the shoulders of the workers' groups and creating an extremely one-sided distribution practice for the advantages and disadvantages of development. This is true on one hand because we are placing the burdens for the solution of the situation calling for manpower mobility on those who are not responsible for the development of the situation; and on the other hand because with their previous activity the adversely affected workers' groups created net income for the enterprises and for society, and they themselves contributed to the "common good." The ideology of "political technocratism" still would place the burdens one-sidedly on their shoulders, protecting the interests of the majority, and with this it would desire to create a situation in which the majority shares only in the advantages of development--among other things, in those also which the "minority" itself helped to create--while the minority must resign itself to the fact that the development represents actually a retro-development in respect to the realization of its own interests. I do not believe we need to show in greater detail the untenable nature of this concept.

In fact, the ideology of "political technocratism" brings about narrow manpower management interests. This is true, on one hand, because with the majority-minority confrontation it seeks to assure a solution which is the most obvious for a manpower management oriented to efficiency in the narrow sense; and on the other hand because it defines majority poorly also: every kind of manpower regrouping necessarily affects the interests of the workers' class as a whole. But this ideology--independently of the subjective intentions of the representatives--tries one-sidedly to have the interests of manpower management accepted as the interests of the majority.

It would be an error, of course, mechanically to place the mentioned interests that are concealed behind the employer ideologies in confrontation with the interests of the workers affected by manpower management. The interests linked to effective manpower management serve the interests alike of the various enterprise collectives and society as a whole. They are not fully identical with the latter, as compared thereto they represent partial interests such as hinder the realization of other partial interests that are of extremely great importance both for the individual enterprise collectives and society as a whole. Therefore the realization of the actual interests of society as a whole rests on the coordination, compromise of the affected partial interests, and thus on the realization of their synthesis.

Nevertheless, how does efficient manpower management affect the interests of workers constrained to change their place of work? Without seeking to be complete, we present the more important interest elements in the following:

a) The security of the workplace. Work performed permanently in one place makes the social environment of work performance an accustomed matter. The individual understands the relations of his workplace accurately, and his individual lot in life can be better planned ahead (the nature of the work, income, and so forth). Transfer to a new workplace significantly increases the elements of uncertainty in the affected situation.

b) Interest linked to the given income. At a new place of work, the individual's income can develop less favorably. The reduction in income has consequences for his place in society as a whole. It is therefore extremely important to maintain the income level of the former workplace (and if possible, of course, to increase it).

c) The possibility of realizing the acquired qualification. From the viewpoint of the capabilities and skills shaped by the substance of the work performed and from the viewpoint of the realizability of the acquired skill qualification, the interest of the individual may be linked to the nature and substance of his work remaining as unchanged as possible. Entering on a new work area causes adjustment difficulties, and can also devalue the training that was acquired earlier.

d) The level of working conditions. Entering on a new workplace may bring a significant change in working conditions. The residence-to-workplace commuting time may change, the work and shift schedule may be modified, and the concrete physical working conditions of the new workplace may also be different, and so forth.

e) The avoidance of failures. Work in which the individual can give reliable performance and receive appropriate recognition at the workplace is an important element in his self-respect and the extent to which he feels respected by others. Success interpreted in this way is an important factor in personality formation. A workplace change initiated by the enterprise can create a situation for the individual like failure in his work.

Workplace changes initiated by an enterprise do not, of course, affect disadvantageously and unconditionally every element of the workers' interest. These are disadvantageous in any event, however, to the interest of the workers as linked to the security of the workplace and the avoidance of failures. But in regard to the other interest elements, the shaping of the workers' situation is a function of the dismissal methods used by the enterprises, and of the placement possibilities in a given labor market situation.

The above-listed interest elements are important in every workers' group. There are, however, classes in such a special situation that they can be more adversely affected than the others by a large-scale manpower regrouping. Among these, for example, are the older workers who for reasons that need not be discussed here find it more difficult to adjust to changes. Similarly, here are included women who are without skill training or are less mobile because of their socially disadvantageous position. In addition, we must include here all those who for the want of a better expression we can call a class that is in a "poor labor market position." This is a class of which with superficial contemplation we might say that "they do not want to" perform at a high level, whose lower level of performance skill can be ascribed not above all to their individual attitude but to their social situation which developed the attitude (some of the people who lead a dual life are members of subcultures, for example, like the nonassimilated Gypsies). Actually, those people also belong here who are struggling with adjustment problems in society and therefore cannot adjust to their workplace either.⁶

But the above-mentioned interest elements and the interests of the classes in certain special situations are of great importance to society. By only weighing economic viewpoints, manpower management at the enterprise level cannot take these interests adequately into account, and in fact it can expressly violate a significant portion. A brief survey of the workers' interests as affected by manpower regrouping will also verify, therefore, that ideologies which present manpower management viewpoints one-sidedly actually are not capable of appropriately reflecting all the affected interests.

When human problems are talked of in discussions on manpower regrouping, opinions are voiced that the enterprises must settle these problems among themselves. Well, without denying the important role of the enterprises, I think that a significant part of the interest protection tasks that need to be solved are only solvable with the participation of expressly central state organs. Of course, we do not mean to say that enterprises should be given some kind of model which would be obligatory for everyone. Such a model cannot even be developed because of the manifold nature of the actual problems.

The state organs have a key role, however, in regulating the process of manpower regrouping, and at the same time they must undertake the solution of such concrete types of problems as cannot be vested in the enterprise in any way. One reason is that the enterprises do not have an adequate apparatus to do it, and the development of such an apparatus is not a course they can follow (for example, the tasks of work mediation). Another reason is that the enterprises do not have those means which are necessary for the solution of the emerging problems (for example, the assurance of area mobility).

Therefore, it is necessary to call attention to all this because the examples which have been realized up to now have given an essentially successful solution to most of the stresses that have appeared. Not one of the workers dismissed by Raba in Győr has remained without work (approximately 60 percent have been placed in the sphere of their services, the vast majority, more than 80 percent, have not even had a reduction in income.)⁷ The examples given thus far, however, represent only the beginning, in fact the prelude to the process. Therefore, no guarantee exists that the stresses which are coming about can be solved by enterprise means.

What type of problems are we discussing the solution of?

The first question is whom the enterprises should release? At the first approach the answer is obvious: those who have become dispensable (because there was a profile modification or a partial elimination, or because there was no need for them anymore due to the former looseness in personnel practices), or whose performance lags behind the requirements, or their work discipline does not meet standards.

The question is naturally more complicated in fact. The short and long range manpower needs are not unconditionally in harmony with each other because it is also advisable to weigh long range needs in making short range decisions (for example, what kinds of work areas will be necessary in the future from among those which have become unnecessary at present). Most of our enterprises, however, do not have well-considered plans, shaped to technical and technological development and to the anticipated trend in enterprise management. For this reason it cannot have really rational manpower management policy either. Lacking these, however, the efforts at long-range manpower regrouping assume an ad hoc character, and in this way they

can carry the danger that over the long run instead of the establishment of a rational manpower management practice, irrational practice elements will come into the management. In addition to the ad hoc character, it will be more difficult to take into account adequately the interests of the affected workers' groups, and in various instances even excludes it.

As an alternative to some of the worker dismissals we can consider, for example, a more flexible mobility within the enterprise: we should provide incentive for putting the released manpower to work in other job areas within the enterprise. If it is not known, however, toward what kind of workers' corps we should be striving, this alternative remains a considerably theoretical possibility. For the reduction of work dismissal stresses, a further favorable possibility is created by the fact that for demographic reasons the number of worker personnel is automatically reduced when hiring is stopped. According to the experiences of labor economic research, for example, an enterprise with employees of a normal age distribution will experience a decline in personnel for demographic reasons of about 2.5-3 percent⁸ (above all because of retirement). But for the demographic change to be a means of reducing the conflicts and of devoting attention to workers' interests, we must at least know what the age composition is of the workers who are employed. And although researching this would not mean additional work for the enterprises as all the data sources are available to them, it frequently happens that they do not devote sufficient attention to developments in age distribution.

An intensified consideration of workers' interests in manpower regrouping therefore requires that simultaneously with the development of the practice important steps should be taken everywhere toward a well-considered, actually rational manpower planning and toward manpower management policy. This is also an important condition for allowing the democratic institutions of the enterprises to operate appropriately in decisions related to manpower dismissals.

The other question is how can we guarantee the security of worker placement. In special cases, to be sure (in the case of the more important manpower regroupings we can count on rather many such things) it is not certain that the usual notice time is sufficient for finding a workplace most appropriate to the interests of the workers affected. But for the basic existence interests of the workers to be assured, it is as important an interest of society as efficient employment and manpower regrouping.

The compulsion to existence maintenance also leads to the establishment of a work relation that means a source of income even if the new workplace does not meet the interests of those affected in every respect, or at all. It seems advisable, therefore, to assure that for a definite period of time--the length of time should be decided in light of the labor market situation--the affected workers should receive income for finding themselves an appropriate workplace. (We are not speaking here, even in concealed form, of unemployment assistance since it can be assured only in certain instances, and as a transition solution for a rather short time period.)

In the Gyor example, to which we have alluded several times, the workers received 2 months' severance pay. Hence the recognition of this need is not lacking even from present practice. In this point, however, it seems necessary to have central regulations made public in appropriate form. In my judgment, there might be in special cases a one-time, larger sum "final payment" (for workers with a very long record at the enterprise and with specific knowledge, if their dismissal can in no way be avoided). In these solutions it is advisable to regulate to what extent burdens like this should be assumed by the enterprises themselves, and what the possibilities are from central sources and other supporters.

Also of importance is the question of who should direct the released manpower, and where. In the Gyor example, the workers were given recommendations by the enterprise for a new workplace. And still we must regard the employment agency offices as of key importance. Employment agency work that takes into account the interests of the affected workers can be actually effective only if it is based on an exact knowledge of the labor market, but for understandable reasons this is something that the enterprises cannot chart. This task can now fall to the employment agency offices.

But the activities of the employment agencies and the system of their operation were developed and fixed at a time when they did not have worthy manpower management tasks, and their role was essentially expressed in mechanical help. To put it in a somewhat simplified way, they performed what the newspaper advertisements could have done if both the employees and the employers could advertise in such volume. In a period of intensive manpower regrouping, however, the role of these offices is necessarily changed: they are no longer simply mechanical mediators between the employees and the employers, but they have a big role in coordinating the interests of the two parties. To do this, however, they must know the labor market situation, the supply and demand relations, the requirements and the possibilities, and they must have the material and perhaps the legal means, and not least of all the expert personnel, to be capable of discharging the qualitatively changing tasks.

The activities of these offices may be all the more important since it is an important question whether everyone can find a job again. No, no, I am not thinking that the danger of unemployment is threatening in our country. But manpower can also be released in weakly industrialized areas where the greatest of obstacles crop up to reemployment: no industrial workplaces exist that come into consideration. In such cases, commuting or area mobility accompanied by change of residence may be considered.

Whether one or the other solution is emphasized, the burdens of area mobility cannot be born by the affected workers alone. It is a different question, to be sure, if the workers volunteer of their own free will for commuting (although even then freedom of will is at least more than doubtful--rather it is a matter of compulsion dictated by objective living conditions as

transformed into will) rather than if the commuting is undertaken because the former workplace of the affected workers cannot continue to employ them. In the former case it is still the workers themselves who weigh the various possibilities for realizing their interests, while in the latter case they are constrained without the opportunity to weigh acceptance of an emergency solution accompanied by serious disadvantages.

Among the questions raised thus far, this is perhaps the most difficult to solve even if the role of the employment agency offices becomes more important than now. However, for the time being there is no cause or need to dramatize the situation--in any event it cannot be excluded that this is becoming one of the nerve-sensitive points of manpower regrouping, and it is here that solutions may come about that rest on compromises dictated by exigence. For a comprehensive and deep analysis of the anticipated labor market situation and the economic cycle we need, however, to be able to handle these problems according to their actual importance. This analysis must also decide whether a situation like this threatens, practically speaking, in areas that are more weakly or one-sidedly industrialized.

The following question points to another nerve-sensitive point: What happens when manpower regrouping threatens the affected workers with income reduction? It appears to be the obvious answer that the conflicts that go with income reduction must be accepted since society can guarantee to no one that an already attained level of income will remain unchanged under all circumstances. At the same time, lack of experience thus far can raise antipathy to the question itself: Is it not a trumped-up matter to point to the dangers of income reduction?

Let us give a concrete example of the problem. In 1972-1973, one of our large construction material enterprises carried out an important internal reconstruction and at the same time conducted a number of reorganizations as a consequence of a rehabilitation procedure. Among other things, they shut down several departments which were operating at a loss, including a gravel pit. The workers at this place, who enjoyed for understandable reasons a relatively high income, became superfluous to the enterprise, and thus they had to look for workplaces elsewhere. But there was only one alternative in the area: a transportation enterprise where, however, the attainable incomes were far behind the level at the gravel pit.

Undoubtedly, the elimination of the departments served the interests of both the large enterprise and the economy. But in the given circumstance the very important interests of the affected workers could not be realized. And here we have returned to the argument voiced by the ideology of "political technocratism." Without repetition, therefore, I shall merely refer to what was said there: under socialist relations such a mechanical subordination of interests cannot become a standard social practice.

Since such cases cannot be avoided in the future either, we have to study what kind of manpower management mechanism will be suitable to what compromises for the coordination of affected interests. During this, we must also work out the possibilities of how we can protect workers who are performing at a high level against the dangers of income reduction but, for example, because of departmental eliminations (or even factor termination) have become superfluous (to this end, government level measures will certainly be indispensable).

Similarly, it is an open question as to what will happen to those who are compelled to change their work area. In the case of those performing work requiring no qualifications, this does not unconditionally pose a problem. But how do we solve cases where change of trade is involved? The answer here too is seemingly simple: the system of continuation trade training or retraining can be used to anticipate or solve this problem. We must see, however, that the domestic system of continuation training or retraining developed in a historical period when most of the work area changes came about in response to constraints due to other factors than manpower regrouping, and when the workers' initiative had an important role in the extent of participation.

Thus in the new situation it is necessary to rethink the entire system of training and continuation training in order that the necessary changes can be carried out at the appropriate points. During this time it must also be studied whether the interest elements of the retraining are functioning adequately in the new situation (for example, in what proportion should the enterprises representing the new workplace of the workers bear the retraining cost, and to what extent the enterprise which dismissed the workers, and so forth).

I have not touched here on all the problems of a more intensive manpower regrouping, and even less can I try for a solution to open questions. My goal was to show that the practice of manpower mobility initiated by the enterprises forms the source of manifold conflicts, and to solve these it is necessary to have a complex system of measures born at the enterprise level. Naturally, these measures cannot eliminate all the erupting conflicts, but they can create a realistic possibility for the coordination of the affected interests and the appropriate representation of workers' interests.

But we must not go to extremes. At the very sight of manpower regrouping conflicts, we cannot reject the practice itself. The problems which I have raised here can draw attention only to the need for the best solution but lead to the hindering of the process. At the same time, we cannot pass by the erupting conflicts with a wave of the hand, pointing to the necessity of the process. The assurance of the democratic nature of the manpower regrouping emphatically requires that each individual enterprise attend to it adequately prepared in a planned and well-considered way. Besides the appropriate functioning of democratic institutions, it is also necessary

that public opinion receive characteristically open and honest information, and that causes of the stresses which may appear, or the possibilities for their solution, will be found with the participation of the public.

In my opinion it is imperatively important at the same time that we no longer debate the need of manpower regrouping--we must acknowledge this as a natural accompanying phenomenon development--but the modes of regulating the process and the most advisable means for protecting the affected workers. Together with scientific research work, these joint discussions and the collective wisdom latent therein can contribute the most to the appropriate realization of all interests affected by efficient manpower management. I wanted to contribute to this joint way of thinking with a number of thoughts that raise problems rather than seek to solve them.

FOOTNOTES

1. Istvan R. Gabor, "Manpower Shortage in the Present Socialist Economy," KOZGAZDASAGI SZEMLE, 1979, No 2, pp 175-177, 185.
2. Within the present limits, I shall not discuss the regrouping of the intellectual workers, which is from many points of view a special problem.
3. Imre Pozsgay, "The Strengthening and Using of Mutual Confidence," TARSADALMI SZEMLE, 1979, No 6, 7.
4. This attitude was vividly presented in the comments of an enterprise manager before the TV Managers' Club in its manpower management discussions in May 1979.
5. It is characteristic of the technocratic nature of this line of thinking that in private conversations one can frequently hear enterprise managers say that the restoration of work discipline could be immediately realized with "a little bit of unemployment."
6. See Peter Geller, "Migrant Workers," Akadémiai Kiado, Budapest 1978.
7. For problems on the development of a strategy regarding factory development, see "The Strategy of Competitiveness," Conversations with Ede Horvath, managing director of Raba, TARSADALMI SZEMLE, 1978, No 11.

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BANK REPORTS ON SITUATION OF INVESTMENTS

Budapest FIGYELO in Hungarian No 44, 31 Oct 79 p 5

[Article: "The AFB [State Development Bank] Reports"]

[Test] In the interest of improved national economic balance, this year's investment plan calls for a moderate rate of growth relative to the real rate achieved last year. This year's growth is set at 4 percent calculated at current prices. Among the most important tasks, the plan points to the need to concentrate investment resources on ongoing projects. With this in mind, no major investment projects have been planned to start this year. Startup of new construction projects is allowed only under certain conditions in the area of lump-sum and other state investments. An attempt has been made to prevent investment growth over planned levels by setting cost ceilings and limits on the amount of budget funds to be utilized.

The effects of the above measures may be seen in the fact that the number of state development projects started during the first nine months of the year was less than during the same period last year.

Deficiencies in preparation led, in many cases, to investment delays and substantial cost overruns. In order to eliminate these factors, the prerequisites for the start of construction and installation have been tightened in the area of state and enterprise investments; in cases when any of the plans, contracts, documents or permits were missing, the investment project cannot be started.

During the first three quarters of 1979, total investment spending was 120.7 billion forints; this means that 58.8 percent of planned investments have been implemented. The rate of growth of investments gradually declined during the first nine months of the year. Comparison of investment spending to corresponding data for the same period of last year, at current prices, shows 8 percent growth in the first quarter, 3 percent at midyear and 2 percent at the end of the third quarter.

The proportion of state to enterprise investments developed in a way that reflects our purposes: the share of state investments increased and that of enterprise investments declined relative to 1978.

Almost 60 percent of planned 1979 spending on major investment projects has been utilized in the first nine months of the year. The investment process thus far this year was determined by the 9 development projects with a yearly rate of more than one billion forints each; almost two thirds of the financial resources available this year for major projects will be spent on these. The largest sums were paid for the construction of the Paks Nuclear Power Plant and the combined steel plant of the Lenin Metallurgical Works.

Capacity for processing 3 million tons of crude oil has been created in the third quarter within Phase 1 of the oil refinery of the Tisza Oil Industry Enterprise investment project.

In conjunction with the sugar campaign in September, pilot production has started in the Hajdusag Sugar Factory. The factory will process 550,000 to 600,000 tons of sugar beet annually. Also in September, pilot production has begun at the first production line (with 625,000 ton capacity) of the Belaapatfalva Cement Factory. Pilot production at the second production line will start in December.

27.1 billion forints were spent on lump sum investments during the first three quarters; at current prices, this is 14 percent above 1978 spending. 62 percent of annual projected investment funds were used up. In particular, spending on lump-sum residential construction by local councils was 7 percent above spending levels in the same period of 1978.

In the case of state lump-sum investments which made good progress in the period under consideration, the investing organizations concentrated on the completion of projects already in progress and the reduction of production delays.

In the category of other state investments, the funds spent during the first three quarters totaled 8.6 billion forints. At current prices, this is 5 percent above last year's level during the same period and is equivalent to 47.5 percent of projected spending levels.

63.7 billion forints were spent on enterprise investments between January and September; at current prices, this is 3 percent less than in 1978. Projected investment spending under the jurisdiction of enterprises is approximately the same as last year: 112 to 114 billion forints for the year. The decline of enterprise investments during the first half of the year was more rapid than planned; this trend continued in the third quarter. This is due to a reduction in the availability and investment use of locally generated resources. Investment funds generated from enterprise profits are lower in almost every sector as a result of declining profits and compulsory reserve fund requirements. The substantial reduction in exclusively self-financed investment projects is due to the tightening of locally generated development resources.

The proportion of loans toward enterprise development projects as a percentage of investment resources was approximately the same during the first nine months of this year as the same period last year. There was an approximately one percent increase relative to the same period of 1978. The proportion of budget resources in the financing of investments by enterprises was the same as last year.

Purchases of machinery are 2 percent below last year's levels within total investment spending. Non-ruble investment in imported machinery declined by 13 percent; this is related, among other factors, to stricter credit conditions.

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DEVELOPMENT OF CONSUMER PRICES VIEWED

Budapest FIGYELO in Hungarian No 47, 21 Nov 79 pp 1, 4

[Article by Dr Mihaly Zafir: "Concerning Consumer Prices--After 23 July." Prepared on the basis of a KSH (Central Statistics Office) publication titled "Changes In Consumer Prices For The Main Strata of the Population in 1978 and in the First Half of 1979," STATISZTIKAI IDOSZAKI KOZLEMENYEK, Vol 453.]

[Text] The price increases of 23 July were significant in the development of consumer prices. As a result of them, consumer prices--including the earlier increase in gasoline prices in June--increased by an average of 9.4 percent.

In the first half of this year the consumer price level was 5.3 percent higher than in the first half of last year. In the second half of the year the 23 July price increases were added to this, increasing the yearly price level by another 4.2 percent. It did so by this much because the average 9.4 percent price increase affected only the 162 days following 23 July, out of 365 days in the year, while the increases for gas and electricity affected an even shorter period since the new charges were first paid gradually in the course of September and October. At the same time the price level for the second half of the year moderated as compared to the first half of the year in that in the first half of the year hard liquor sold for 25 percent more as compared to the same period of the previous year whereas after 24 July its price corresponded to that of the preceding year (since the price increase took place on 24 July 1978). The price index also moderated because in this period the prices of fruits and vegetables developed favorably.

The Antecedents

It follows from all this that the 1979 consumer price level will exceed that for 1978 by approximately 9 percent. This price index is worthy of attention and questions understandably arise concerning the magnitude of the price increases, the character of price formation and the effect on the standard of living.

In recent years, consumer price formation has been characterized by retardation. The price increases were smaller than justified by an approximation to expenditure ratios and the development of the world market price situation.

It is well known that our consumer price ratios were largely detached--and in many respects they still are--from the expenditure ratios and especially from the world market price ratios. The origin of this situation was that in the course of 1949-1951, under conditions at that time, we developed a price system with a strong social policy content with cheap prices for foodstuffs, rent and other services. Time passed these price ratios by, hardly disputable under the circumstances then, and this was recognized in the course of the debates preceding the 1968 price reform. The Fourth 5-Year Plan proposed an approximation of prices to expenditures as a guiding principle of price policy for the period 1971-1975 but little was done at this time. The relatively low prices for foodstuffs and energy meant that we consumed more of these articles, hard articles on the world market, than justified by our economic possibilities and wasteful consumption became characteristic instead of thrifty management and thrifty public thinking.

As it became ever clearer that the price increases for oil and raw materials were not temporary but of a lasting character, the view necessarily developed that world market price effects must be realized in our internal economic life, but in a planned way, muted as it were, and limited to lasting trends. This approach continues to be valid; but there is need for greater sensitivity in regard to magnitudes and judgments.

The consumer price level has increased gradually and at an accelerating rate in the past decade. The consumer price increases came to 1.4 and 1.3 percent in 1969 and 1970 respectively; in the early 1970's they increased by an average of 3 percent per year; and in the first 3.5 years of the Fifth 5-Year Plan consumer prices increased by an average of 4.7 percent per year.

The reason for the accelerated price increases in recent years is partly that the execution of the price increases which became timely earlier had been postponed, thus more than necessary piled up in the later years following the reform; the other reason is that certain consequences of the new world market price situation appeared in the price increases in the most recent 2-3 years--if late and far from their entire extent.

Despite the accelerated price increases new price ratios, significantly deviating from the earlier ones and approximating the expenditures, have not come into being. Price disproportions remained and in some cases increased. It is especially striking that when we look at the 10 years which have passed since 1968:

--the price index for the "heating, energy" group was the lowest despite the general energy crisis which has lasted for years, and

--price increases for foodstuffs remained below the average price increases.

At the same time it is a positive feature that prices for luxury goods increased more swiftly than the average; this is one tool--although one of only temporary and limited effect--for reducing the exaggerated consumption of them.

Production costs have increased over the years and since the price increases did not follow this proportionally, consumer price supports increased; we used a part of the turnover taxes to counterbalance the increase in producers prices. For example, the net turnover tax per unit of clothing articles traded has decreased from 24 percent in 1973 to hardly 1 percent but despite this their consumer prices have increased by 40 percent.

The duality of the price system, which was limited even in 1968, has gradually been abolished; indeed, a negatively dual level price system has developed. This is characterized by the fact that in 1978 consumer price supports totaled 40.9 billion forints (fundamentally this applied to foodstuffs and services). Turnover taxes totaled much less, 29.2 billion forints (and was limited largely to luxury goods).

On 23 July 1979 the largest price increases were for energy--by an average of 34 percent--followed by foodstuffs--by about 20 percent. The prices of passenger cars increased by an average of 20 percent, those for furniture by an average of 16 percent, those for construction materials by an average of 12 percent, those for shoes by an average of 27 percent and prices for washing and laundry materials and soaps by an average of 19 percent. In the services areas fees for laundry and dry cleaning increased by 20 percent, shoe repair fees by 45 percent and tickets for theaters, movies and other programs by 30 percent. This time prices did not change for drinks, tobacco goods or clothing articles, with the exception of footwear.

Consumer Price Index, By Chief Expenditure Groups

Chief Groups	1978, in Percent of 1967	Index for the 23 July 1979 Measures, Percent
Foodstuffs	134	120
Luxury goods	145	100
Clothing articles	140	105
Heating, household energy	100	134
Durable consumer goods	123	112
Other industrial articles	135	106
Services	137	102
Total	134	109

It can be seen from the table that over the 10 year range the increase in the price level for heating and household energy remains below the average price increase despite the significant increase in July while that for foodstuffs prices exceeds the average. (Supports remain for some foodstuffs even after the current price increases.)

The spread, by social class or stratum, around the average magnitude of the price increases is small. The price index affecting the peasants is smaller than the average by several tenths of a percent and that affecting pensioners is higher by several tenths of a percent. It is worthy of note that the effect of the price increases is substantially the same for households belonging to the worker class and to the peasantry although the larger part of the price increases is concentrated on foodstuffs and household energy, which are traditionally of greater significance to those living from wages and salary than to the peasantry. The reason for the substantially identical effect is partly that purchased foodstuffs and energy now have a large role in the consumption of the peasantry too but it can also be found in the unique character of price formation, namely in the fact that the workers consume less bread (and flour) than the peasants while the price of bread increased to the largest degree (by 50 percent) and at the same time the prices for fruits and vegetables did not increase, the purchased consumption by the workers being twice that of the peasants (since the peasants use their own production instead of purchasing them).

The percapita total of supplementary wages, pensions and family supplements offered together with the price increases is greatest in inactive households because on the basis of the present measures pensioners and the majority of those living in these households were entitled to supplements of 180 forints, only an insignificant proportion being children for whom the compensation was lower--130 forints--and only an insignificant proportion of them being dependents of active age, who receive no compensation. The percapita total of compensation was lowest for the cooperative peasantry, partly because the compensation for those working in cooperatives was lower--140 forints--than for those living from wages and salary and partly because one can find in their households the largest proportion of dependents of active age, who get no compensation.

The calculations show that on a national average the wage supplements cover the price increases for foodstuffs and household energy. There was less cover in the case of those in non-physical (intellectual) occupations and it represented only a small sum in independent households (the self-employed received no compensation). In the case of the worker class the compensation somewhat exceeded the total of the price increases for these basic expenditures.

Indexes for the July 1979 Price Increases, According to Social Stratum
(Includes the June Gasoline Price Increases)

	Worker Class	Cooperative Peasantry	Those with Double Incomes	Non-Physical (Intellectual) Employees	Pensioners	Population as a Whole
Annual per capita effect of the price increases, in forints:						
Foodstuffs, heating, hold energy:	1,734	1,365	1,497	2,198	1,876	1,813
Other:	790	774	839	1,173	363	813
Total:	2,524	2,139	2,336	3,371	2,239	2,626
Compensation, per capita, forints:	1,873	1,507	1,744	1,936	2,089	1,860
Price increases in percent of expenditures (price increase index):	9.3	9.2	8.8	9.4	9.8	9.4
Compensation in percent of expenditures:	6.9	6.5	6.6	5.4	9.1	6.6
Not compensated, in percent:	2.4	2.7	2.2	4.0	0.7	2.8

The 1979 plan prescribed an increase in the price level of 4.7-4.9 percent, in real wages of 1 percent, in real income of 2 percent and in popular consumption of 2.5-3 percent. As can be seen from the above the price increases, with the 23 July measures, substantially exceed what was planned and this is partially counterbalanced by the compensation. As a result real wages and real income will be lower than planned. We can reckon that real income will be the same as in 1978 and that real wages will be lower than in 1978 by 1-1.5 percent. The price increases--at least temporarily--will have less effect on consumption. In June and July the population was purchasing substantially more than average of furniture, construction materials and some foodstuffs; they covered this by not increasing their savings in the customary manner in these months. Only in the course of preparing the balance for the year will it be possible to determine the extent to which this was advance purchasing, as a result of which they will purchase less in the last months of the year, and how much represents extra consumption at the annual level.

Effect on Next Year's Price Level

The present price increases, since they took place during the year, will determine to a large extent the price formation for next year too. In the light of the above calculations, giving 162 days to this year and 365 days to next year, 203 days of the increased prices will affect next year. Taking this into consideration plus the fact that the heating and lighting costs will go into effect gradually the price level for next year will be higher than this year by 5-6 percent simply as a result of the 23 July measures. We certainly can also count on price increases initiated by the market, which have averaged 2 percent per year in recent years. We must also count on price increases deriving from the significant changes in the regulators. The price changes to be desired and expected will be decided upon in next year's economic plan. We can certainly count on consumer price increases in 1980 of similar magnitude to those this year.

The price increases in our homeland in 1970-1978--despite their accelerated pace--were smaller than those in the western European countries. (The price index in our homeland in the years 1970-1978 was 130.8 percent. In this same period the consumer price index was 150-170 in the FRG, Austria, Switzerland and the USA; 180-200 in Belgium, Holland, Sweden and France; 265 in Italy and 270 in the United Kingdom.) The overall picture will not change in 1979 and 1980. But it is essential to note that the pace was moderating in most of the developed capitalist countries in 1978 and 1979 while it was increasing in our homeland because price increases which were due had been postponed and were thus piling up.

One cannot yet get a picture of how the populace will adapt to the new price ratios in their purchasing, to what extent the structure of consumption will become more economical. But the chief goal of the price increases was a rational restructuring of consumption and rational thrift with goods.

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CSO: 2500

EIGHTH CONGRESS DISCUSSES SOCIOECONOMIC GUIDELINES

Warsaw POLITYKA in Polish No 45, 10 Nov 79 pp 6, 7

[Article: "Means and Methods"]

[Excerpt] In the last issue we discussed the first and second sections of the PZPR Central Committee Guidelines to the Eighth Congress, "On Further Development of Socialist Poland and Prosperity of the Polish People." In Section I the guidelines appraise the results of Poland's socioeconomic development in the 1970's and also present the conditions and factors of the current socioeconomic situation. Section II contains proposed social goals toward which we are to strive in the 1980's. Below are the remaining sections of the guidelines.

Section III (20 points -- from 38 to 57) is entitled: "Material Conditions for Attaining Society's Goals." It is the most extensive section, comprising almost one third of the guidelines, although it contains somewhat fewer points than Section I (26). It formulates proposed targets for the economy as a whole and its individual sectors and branches.

Proportions

The first point in this section states that the program for meeting the social needs and improving the living conditions of the people is a continuation and further development of the policy initiated after December 1970. The conditions for implementation of this policy, however, will probably not be easier than during that time, and in certain areas may be even more difficult. Limiting factors will of course include difficulties in obtaining raw materials in foreign markets, increase in prices on raw materials, as well as protectionism and increasingly acute competition.

Under these conditions the successful attainment of our targets will be determined by high quality of labor by all of society and improvement in management efficiency in all areas. This demands achieving the greatest possible effect from outlays of labor, raw materials, and means of production. The guidelines draw attention to the possibilities to be

found in better utilization of work time, improvement in organization of labor, fuller utilization of machinery and equipment, and enhancement of the role of scientific research facilities. The guidelines formulate the task of thorough appraisal of the possibilities of increasing the percentage share of labor on a second and third shift, particularly in the machinery and building materials industry. Emphasizing the importance of efficient, thrifty management of raw materials, energy and supplies, the guidelines assign industry the target of reducing unit consumption of raw materials and supplies by not less than 6-8% in the coming five-year plan. Another important target calls for making changes in the design of products so as to consume less raw materials and other materials, as well as reducing energy consumption to the maximum possible extent. Also emphasized is the importance and need of utilization of secondary and waste raw materials.

The guidelines propose the following basic economic development proportions in the 1981-1985 five-year plan:

14-18% growth in national income;

20-24% growth in industrial output;

12-13% growth in net agricultural output;

capital investment's share in national income less than 20%;

share of export production in total industrial output -- 17%.

In the point dealing with capital investment, the guidelines acknowledge the priority of expenditures serving to eliminate restrictions to output growth and improving efficiency of management, as well as outlays on modernization. The main areas and directions of capital spending are focused by the guidelines toward the most important social and economic needs: food and market production, housing construction and health, production of raw materials and energy, improvement of the transport situation, as well as increase in export capability.

The guidelines stress the need for a fundamental streamlining of the capital investment process -- from the programming and preliminary drafting phase to reaching targeted production capacity. Particularly important is the principle formulated in the guidelines that the capital investment plan must guarantee funds for enterprise capital spending which ensures continuity of the modernization process and restoration of capital goods, particularly machinery and equipment. More favorable conditions should also be created for investment in measures bringing rapid growth in market and export production.

Industry

The next eight points (from 41 to 49) deal with industry -- first the general problems of industrial development, and then the targets for individual branches and subbranches.

The guidelines specify as the main targets of industry improvement in market supply, improvement in efficient export, as well as decrease in product materials-intensiveness. In order to accomplish these tasks industry must in a systematic manner improve its structure, modernize its products and improve their quality as well as raising the technological level. There should be introduced mandatory testing of product durability and reliability. Obsolete goods, energy-intensive items, and goods of poor quality will be gradually removed from production.

The guidelines support the recently specified (at the 14th Plenum of the PZPR Central Committee) small-scale industry development targets, noting that small-scale industry should play an important role in boosting the efficiency of economic management. The products of small-scale industry should enrich market and export goods supply. It should utilize local and waste raw materials, utilize available space and sites, and utilize machinery and equipment which are not needed or cannot be efficiently utilized by large-scale industry. Special emphasis in the coming five-year plan should be placed on development of the food processing subbranches of small-scale industry; the guidelines call upon voivodship authorities to provide conditions for growth and development of small dairy, fruit and vegetable processing enterprises, small mills, hulled and rolled products plants, meat packing and sausage plants, etc. The guidelines call for improving the economic-finance system of small-scale industry, so that plants will be maximally independent and can flexibly adapt to society's needs. Under this same point the guidelines emphasize the significance of services and artisan crafts, stating that in the next five-year plan we must continue a policy of accelerated development of this area of the economy.

The guidelines propose the following targets for individual branches and subbranches of industry in the period 1981-1985:

Hard coal production growth of 27-30 million tons -- to 232-235 million tons in 1985. This production increase will result from expansion of Silesian mines as well as production startup in the Lublin coal fields. The guidelines emphasize the necessity of further efforts aimed at shortening work time in mining, improving mine safety, and providing improved leisure and recreation conditions.

Brown coal production should at least double, reaching a figure of 80-90 million tons. A high growth rate should be maintained in this subbranch in the latter half of the 1980's, with production in 1990 to reach 130-140 million tons. Production growth will result primarily from development of the Belchatow coal fields.

Power generating plants in Belchatow should reach a generating capacity of 4,000 megawatts in 1985. Total output of electric power in the next five-year plan should increase by 24-28% (at that time we shall have a per capita output of approximately 5,000 kilowatt hours annually, or more or less the current figure in such countries as Austria, Belgium, Japan, and Great Britain). Coal, particularly brown coal, will be the principal source of energy. Work will also be continuing on energy utilization of the Lower Vistula, as well as nuclear power.

The guidelines warn of a threat to the fuel and energy balance. At the present time we continue to export more fuel and energy than we are importing, but an increase in the requirements of the economy and changes in prices on world markets threaten to change this to a deficit. Therefore the guidelines specify the task of intensifying geological exploration, particularly for crude oil, natural gas and brown coal, utilization of unconventional energy sources, radical improvement in the efficiency of power generating plants and increased losses in the systems by 20-30%, increased production of thermal insulation for the construction industry, and elaboration of a diesel expansion program, which ensures substantial savings in liquid fuels.

Geological prospecting should produce an increase in resources not only of energy raw materials but also other minerals as well. The guidelines also specify prospecting for and intensive production growth in such raw materials as sulfur, rock salt, aggregate, kaolin, etc. Exploitation of iron ore deposits in the Suwalki region will begin.

Steel production should increase to 24 million tons in 1985, and rolled products output -- to 16.5-17 million tons. The second stage of construction of the Katowice Steel Works will be continuing; in 1985 this facility will produce 8.5 million tons of steel and 3.3 million tons of coke. The Lenin Steel Mill, the Bierut Steel Mill and Warsaw Steel Mill as well as the venerable Silesian metallurgical industry will be modernized and upgraded.

There will be further development of nonferrous metallurgy and processing of nonferrous metals, particularly copper, production of which should rise to 500,000 tons in 1985, as well as zinc (240-250 thousand tons) and lead (115,000 tons). Development of the aluminum industry will begin.

Electrical equipment industry output will increase by approximately 33%. Following are priority areas: electronics; consumer goods; machinery and equipment for the power industry -- including 360 megawatt turbines and equipment for nuclear power engineering; machinery and equipment for mining and the chemical industry; construction equipment; water management machinery and equipment (connected with the Vistula program); agricultural machinery and equipment: tractor output should reach approximately 100,000 units, and there will be a substantial increase in production of all other machinery for mechanizing field work; electric locomotives, railroad cars, buses, trucks, passenger cars, streetcars, and ships.

Intensive development of the chemical industry is essential. It should increase output by 28-34%, and the guidelines specify as the highest-priority targets growth in output of pharmaceuticals, paints and varnishes, perfumes and cosmetics, pesticides, plastics, rubber products, as well as electrical insulation materials. There should be considerable expansion of tire manufacturing and reconditioning facilities. Crude oil production will increase to 21-22 million tons, manufacture of nitrogen fertilizers to 1.7-1.8 million tons (primarily due to Police II), and phosphate fertilizers -- to 1.2-1.3 million tons.

The minerals industry will increase output by 18-23%, meeting the requirements of capital construction and repairs, particularly in housing construction and for market requirements. New small plants are to be built for this industry, producing brick, tile, including roofing tile, etc from local raw materials and waste materials.

Wood, pulp and paper industry output is to rise at a similar rate -- 18-22%; the growth rate will be relatively higher for furniture manufacture and delivery. The guidelines emphasize that it is essential to improve domestic supply of paper, particularly for the publishing industry.

The guidelines also specify for light industry a growth rate of 18-23%, with priority going to products for the infant, children's and youth market, as well as home furnishings. The guidelines stress the need to improve product quality and to adapt products to the customer's needs and taste. The guidelines also state that modernization of light industry will continue.

Foodstuffs

The guidelines contain proposed targets for agriculture and those sectors of the economy interacting with agriculture. Priority emphasis is placed on efforts to achieve self-sufficiency in foodstuffs. Import and export of foodstuffs and feed should reach a balance in the coming five-year plan.

The guidelines emphasize that agricultural policy will continue to promote development of all sectors of agriculture as well as improvement in living conditions for the rural population. There will be support for development of privately-owned farms and their specialization. Favorable conditions will be created for all farmers concerned with development of their farm operations, continuing improvement in their farm's productivity and yield of marketable products.

State farms and producer cooperatives should increase their influence on social progress and production advance by agriculture as a whole, especially by increasing the seed and livestock base.

Grain yields should increase to 30-32 quintals per hectare in the course of the five-year plan, potatoes -- to 220-230 q/ha, sugar beets -- to 310-330 q/ha, and oilseed crops -- to 21-23 q/ha. Grain should show a marked

increase in its percentage share of crop acreage, including wheat, barley and corn, as well as legumes and plants of the pea family. We must substantially increase the growing of afterharvest crops — an important source of feed.

Meadows and pastures must be utilized more intensively, and we must build siloes and manufacture equipment making it possible properly to prepare and store feed. Crop and livestock waste products should be utilized for feed, as well as waste from the food processing industry, restaurants and households. The production potential of the feed industry will also be expanded.

In conformity with the priorities of the foodstuffs program and the principles of a rational diet, the guidelines specify the target of increasing vegetable production by 25-30%, and fruit by 20-25%. This output should increase both on specialized and privately-owned farms, as well as allotted-plot and home gardens.

Growth in chemical fertilizer production should provide an increase in fertilizer application to 230-250 kg NPK per hectare. In 1985 agriculture will have 750,000 tractors. Combines will harvest 75% of the total grain, 50% of potatoes and 66% of sugar beets. Agriculture will receive large quantities of trucks, cars and other equipment.

The main target in livestock raising is boosting of the nation's cattle herd to 15-15.5 million head. The hog total should increase to 23-23.5 million and sheep to 5.5-6.5 million. The poultry population should reach a level ensuring an annual output of 750,000 tons of poultry for meat.

Growth in farm production will guarantee a raw materials base for the food processing industry. It should increase production by more than 20%, particularly in processed potatoes, grain, fruit and vegetable products, food concentrates, frozen foods and culinary items, processed foods for child children, dietetic foods, etc.

The fishing industry is an important part of the food industry. The guidelines draw attention to growing difficulties of access to the most highly-productive fishing grounds and formulate targets of improved utilization of the resources of the Baltic as well as intensive development of inland-waters fishing industry.

Other Areas

The next six points (from 51 to 56) propose targets for the remaining sectors of the national economy as well as the system of planning and management.

The construction industry must first and foremost improve work quality and management efficiency, better utilizing work time, equipment, and more efficiently managing materials and adopting modern technology.

The transportation industry should first and foremost reduce the disproportion between transport capabilities and the economy's transport needs. In addition to expansion of transportation, this requires greater efficiency of transport operations. Reconstruction and renovation of rail lines will continue, particularly in Silesia. Construction will be completed on the Central Main Line. Electrification will cover 2,500 km of rail line, thanks to which by 1985 electrified lines will comprise 40% of the total Polish State Railroads system. In motor transport there will be continued construction of high-speed highways and an increase in the percentage share of heavy-load trucks. Inland water transport will handle 35-million tons of cargo, and seaport cargo handling capacity will increase to 85-90 million tons. Merchant fleet tonnage will increase by 15-20%. Air transportation will grow, and telephone service will increase by 500-600 thousand subscribers.

The 1980's will see the beginning of comprehensive management and utilization of this country's water resources, particularly the Vistula and its tributaries. In the coming five years the main effort will be focused on controlling the Upper Vistula and its utilization for navigation, which will make it possible to haul from Silesia 6-8 million tons of coal annually. There will also be continuation of construction on a series of dams on the Lower Vistula, with an electric power plant in Ciechocinek. The entire Vistula program will create conditions for intensive agricultural production on 4 million hectares, or 20% of the nation's farmland, will produce a capability to haul more than 110 million tons of cargo by the year 2000, and will provide a capacity of approximately 2000 megawatts generated at hydroelectric power stations on the Vistula and its tributaries.

Intensive development of foreign trade and economic cooperation with other countries will be of great importance in the coming years. The most important item is growth in exports, which influence imports as well as repayment of credit. In addition to establishing an economy structure favoring exports, we must streamline imports and more efficiently utilize imported raw materials, supplies, machinery, and technology. Closer cooperation and economic integration with the brother CEMA nations, and the Soviet Union in particular, continues to be of basic importance in economic relations with other countries, as well as joint capital ventures and development of manufacturing specialization and co-production.

Science and technological advance occupy an important position among the conditions for achieving economic targets and social goals. In the coming five-year plan research and development must accomplish tasks connected with product quality, efficiency of management, economical use of raw materials, fuels and energy, and modernization of product design and manufacturing process.

At the end of the section dealing with economic problems, the guidelines specify targets in the area of improving the system of planning and management. They stress the need to strengthen the status of central planning, and particularly five-year planning. The planning commission should be

a government staff agency, while the ministries should represent the interest and needs of society as a whole. In management there should be an effort to reduce the number of levels and size of staff involved. This calls for a substantial increase in the area of authority and responsibility of economic units, as well as enhancement of the role of economic instruments and mechanisms as well as the finance system. There must be an increase in the importance of formal agreements and contractual obligations in relations between economic units. Improved solutions in the system of planning and management should be adopted gradually, applying universally by 1983.

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CONSERVATION AND EFFICIENCY, PRIORITY GOALS FOR 1980'S

Warsaw ZYCIE GOSPODARCZE in Polish No 46, 18 Nov 79 pp 1,2

[Article by Karol Szwarc]

[Text] Conservation and greater efficiency--these are the leading watchwords of our time. The unifying theme of the wide range of issues and tasks spelled out in the Guidelines is the strong emphasis placed on the growing importance of management efficiency as one of the most important tools by means of which we will realize our social goals under the highly complex economic conditions with which we are now confronted and with which we will have to contend as we look ahead to the 1980's.

In the strongest possible terms the Guidelines stress the need both for the cost-conscious management of materials and energy resources and for the cost-conscious management of labor inputs and fixed assets. These general directives are a response to the limitations confronting the economy as a whole.

But it would be a mistake for anyone to interpret the need for greater efficiency by concluding that in each and every case it is necessary at one and the same time to cut spending on materials and energy, to keep labor costs to a minimum, and, in the final analysis, to cut back on capital spending. There is no such thing as economic miracles, and the only way to conserve resources is by trading "something" for "something." If we are going to economize at the expense of one of these factors of production, the only way in which it is generally possible to go about this is by spending more money on one or both of the other factors. For instance, if we want to conserve materials in connection with the production of a given product, we can do this either by investing money in design and planning work (the most roundabout way), by spending more money on machinery and equipment marked by materials-conserving technological processes (a more roundabout way), or by resorting to increased spending on labor (the more direct way).

When choosing among these practical alternatives it is of course necessary to bear in mind the desirability of minimizing total costs, even though within the context of this overall effort specific preferred courses of

action are bound to differ, since ministries, sectors and individual enterprises do not operate under identical conditions.

However, cost accounting is no simple matter, as it might seem to be in light of our preceding remarks. It is not strictly a simple arithmetic calculation. For when making decisions in this area we must not only take into account the imperfect signals sent out by the price system or the not always complete compatibility of the system used to evaluate the performance of ministries, industrial sectors or individual enterprises with the performance expected of the economy as a whole. We also must take into account the various limitations that accompany the economic decisionmaking process, limitations which are a product of such phenomena as scarcity, the availability of goods and social utility. Unless allowances are made for these factors and for their variability over time, cost accounting turns out to be nothing more than an abstract exercise.

From an economic standpoint the factors of production which place the greatest burdens on our economy are raw materials, fabricating materials, fuels and energy. We have an overabundance of fixed assets and manpower resources in relation to the availability of these factors of production. For a long time now in this journal we have been calling attention to the fact that the barrier represented by the scarcity of materials--while of course realizing that the insurmountability of this barrier varies depending on the current economic situation--is the principal factor determining our economic growth potential.

At the present time this factor's impact on the economy is greater than ever, a problem which was discussed at the 16th Plenum and which was strongly emphasized in the Guidelines. There are at least two reasons for this, i.e., reasons of an economic and technological nature.

Within the context of the three basic factors of production (materials, machinery and manpower) we can see that as a fact of everyday life in industry men and machines are running short of materials and not vice versa.

The reality of this problem is being borne out by more careful analyses. For if we take a look at the "Statistical Yearbook" we can see that there has been a drastic decline in the productivity of fixed assets. The same holds true for the number-of-shifts-worked indicator. So in light of these facts we can come to the conclusion that we have a relative surplus of machinery and equipment in relation to the supply of fabricating materials.

The problem of direct labor is even more complex.* The growth of the labor supply, measured in terms of the number of people available for work, is now starting to slow down. This process will continue to intensify. And yet

*Vide: Jan Glowczyk--"The Determinants of Social Progress" in ZYCIE GOSPODARCZE No 44, 1979.

during the decade which is now coming to an end the value of fixed capital stock has increased from approximately 5 billion to 9 billion zlotys. And so during the 1970's the value of our material assets increased almost by as much as it did during the first 20 years of the history of the PRL. So in spite of the largest increase in the level of employment in our country's history that occurred during the first half of the 1970's the so-called "plant-and-equipment endowment" of formerly and newly employed workers underwent radical quantitative and qualitative changes. But all the while we were experiencing an unprecedented and powerful influx of new equipment and technologies imported from abroad. During the period 1979-1978 the value of the economy's stock of plant and equipment measured in fixed prices on a per capita worker basis increased by approximately 70 percent or at a rate which approximated the growth of the national income. This growth rate was even higher in industry (88 percent) and in the construction industry (148 percent).

Even though we are now entering a phase characterized by a marked slowdown in the growth of capital spending, the volume of capital stock per worker will continue to grow at a respectable rate as a result of the completion of major in-process capital construction projects. In a certain sense the growth in the volume of capital stock per worker has a multiplier effect on the labor supply, since it paves the way for a substantial increase in the productivity of labor. But at the same time there is a corresponding geometric increase in demand for fabricating materials. This is precisely why it is now imperative that we should make a more scrupulous effort to conserve fabricating materials and raw materials.

This point is brought up in the Guidelines. For this document calls for a 6 to 8 percent reduction in the unit consumption of raw materials and fabricating materials during the next five-year plan. This is a very ambitious task. And it is equally ambitious both from an economic and from a technological standpoint.

For a long time now the Polish economy has been characterized by an excessive degree of materials and energy intensiveness. But the impact of the materials shortage was never as severe as it now is, for the scale of economic activity was never as great as it now is.

The new technologies or the designs for new technologies which we have purchased are the products of engineering knowhow that predates the raw materials crisis. These technologies are geared toward the conservation of labor. The consumption of materials and energy was not taken into account in the design of these technologies. This is because in the breakdown of production costs labor was relatively expensive, while materials and energy were relatively cheap. After 1973 this cost ratio changed and it is still in the process of changing even now, i.e., the costs of materials and energy are going up at a relatively faster rate than the costs of labor and the costs of machinery and equipment.

It is true that a large proportion of our plant and equipment stock is manufactured in Polish factories, but in trying to catch up with the rest of the world in the area of technology we have wound up covering the same ground that has already been covered by everybody else.

These newly acquired technologies have also placed some pressure on the supply of materials in terms of the phases of the production process in which they are used. We have purchased many technologies and designs that are used to produce finished goods and relatively few technologies used to produce semifinished goods. This practice has placed a heavy burden on our balance of payments when it comes to co-production imports.

These newly acquired technologies have raised the economy to a new technological level, played an important role in improving working conditions, and in many areas reduced the amount of physical labor that workers have to perform. This amounted to real progress in comparison with the way things were during the 1960's. For example, in the construction industry during the period 1970-1977 the number of jobs performed by mechanized means increased by 243 percent in the case of excavation work, by the same percentage in the case of loading work and by 267 percent in the area of transportation.

Current conditions and requirements are making it a matter of the highest priority that we should verify the desirability of in-place technologies in terms of the consumption of energy and raw materials. And we need to take the same approach when evaluating designs for new technologies. We have made a start in this direction, but the scale of these verification efforts is still not what it should be.

The public already possesses a sufficiently strong awareness of the hierarchy of limitations that applies when it comes to the management of the factors of production. Whenever anyone has anything to say about the state of the economy--and regardless of whether the person doing the talking is relying on their intuition or an in-depth analysis of the situation--one can always hear the refrain that the factors which are limiting our economic growth boil down to the relative shortage of materials and energy. When it comes to an evaluation of the other two factors of production opinions are already divided. But when these various limiting factors are ranked according to their relative importance the prevailing view is that materials "come first" before manpower, while the shortage of machinery takes third place.

What is more, this perceived pecking order of limiting factors is being reflected more and more in the practical conduct of economic activity. The pressure of claims for capital investment and also for manpower resources has abated to some extent, but this pressure has intensified when it comes to materials and energy.

A somewhat different situation obtains in what the economists refer to as critical sectors, that is, sectors upon which the growth of the economy as a whole depends. In this area the public gives first priority to the strains and difficulties caused by the energy shortage. And it is no wonder that

they should do so, since in actual practice the present situation is such that in many concrete cases a turned off light switch raises doubts about the effectiveness of the efficiency drive. A similar problem arises in connection with the transportation sector or on an even larger scale in connection with the entire economic infrastructure. For some time to come the situation in all of these areas will undoubtedly continue to have an enormous impact on our ability to improve efficiency. Consequently, all of our efforts along these lines should be focused above all on the rationalization of energy consumption. Even a cursory analysis of this situation will show that this is a highly efficient course of action, considering that the generation of one megawatt of electric power calls for an outlay on the order of 12 million zlotys in the power industry alone and this figure jumps to 30 million zlotys when we take into account the costs incurred in connection with the extraction of raw materials and transportation.

However, I believe that foreign trade has now come to the fore as our most critical economic sector. Our export sales volume is still far too low in relation to our balance-of-payments situation and in relation to our import needs. Even though for some time now we have been trying to take action aimed at rationalizing our import programs, imports have exceeded exports consistently over the past several years. For example, in 1978 our export sales volume reached a total of 14 billion dollars, while the total volume of import purchases amounted to 16 billion dollars.

In this regard it is absolutely essential that we should bring our trade turnover accounts into balance and build up a surplus of exports over imports. The only feasible way by means of which we can carry out this task is by increasing export sales. If we fail to accomplish this goal on the scale that has been envisioned, this failure will be mirrored by scaled down import opportunities, something which may make it even more difficult to surmount the energy and raw materials barrier.

We also need to designate agriculture and, for that matter, the entire food economy complex as one of our top economic development priorities. This sector of the economy is especially important--as the Guidelines point out in the strongest possible terms--not only in terms of distribution of material resources and foreign trade, but also in terms of social equity. The truth of this assertion becomes all the more clear when we recall that foodstuffs account for almost half of all personal income expenditures. The food industry complex is a giant supplier of raw materials. We should also call attention to the fact that up until 1974 this sector of the economy enjoyed a surplus foreign trade balance, which thereafter began to change into a steadily worsening deficit balance.

But in this case it is not just the accounting side of the equation that is important. Of far greater importance is the fact that foodstuffs--in addition to liquid fuels--are turning out to be a commodity which is often obtainable at any price. It is for this very reason that all lines of thinking which minimize the importance of the production and processing of agricultural raw materials are misguided and fail to take into account the realities of the domestic market and foreign trade.

In calling attention to the importance of agriculture, foreign trade and the power industry we are not overlooking the fact that the housing construction industry has a similarly important role to play. It often happens that local housing shortages make it impossible to take fuller advantage of industrial machinery and equipment that have already been installed. Regional labor shortages, which are in turn a result of the housing shortage, are no help when it comes to efforts aimed at increasing the workshift rate, and this has a serious impact on the productivity of fixed assets. Much of the world's machinery and equipment is produced on the assumption that it will be operating on a three-shift work schedule. This is because the operating costs of this kind of machinery and equipment are high, and its amortization under conditions other than a three-shift work schedule yields inferior cost-benefit results.

The strains with which we have to contend in many sectors of our economy, i.e., in agriculture, in the raw materials and fabricating materials procurement area, the energy balance, foreign trade and the infrastructure of transportation and production support services--and in some areas these strains are by no means insignificant--, are not short-term problems. For various reasons it has to be expected that in the years to come access to these scarce goods and services will continue to be limited. The same limitations apply with regard to our ability to afford imported goods and services that would compensate for these domestic shortages. This is why nothing will be resolved by adopting an attitude which favors "waiting things out," whereas the launching of all kinds of efficiency-oriented initiatives aimed at alleviating these strains will produce more than just short-term benefits.

This appraisal is gaining ever broader acceptance among management personnel. But in the world of practical day-to-day management this point of view is meeting with resistance, a resistance which began to assert itself as soon as the general goals of the economic maneuver were spelled out. The reasons for this state of affairs are attributable to the attitudes of some members of the managerial apparatus, attitudes which are an expression of vested ministerial, sectoral or enterprise interests. But we should also take into account the fact that these attitudes are influenced by the system for evaluating the performance of economic organizations. There are too few elements in this system which serve to defend the interests of industrial and private consumers.

The restrictions which exist in the area of the factors of production and within the realm of the critical sectors of the economy interact with each other thereby giving rise to a host of interrelated shortages which should be examined and taken into account when making decision both on a macroeconomic and on a microeconomic scale. But these "intertwining" restrictions go beyond the economic sphere and are beginning to have a severe impact on the entire sphere of social relations, within the context of which we also have to contend with certain limitations. All of these restrictions are imposing burdens on everyday life and industrial life

The main thrust of efforts aimed at countering these burdens should consist in all members of society making a common effort to focus all their attention and energy on those areas and sectors which have lagged behind and which are hindering progress. All actions dedicated to fostering the ever more harmonious development of the economy and society will at the same time go a long way toward enhancing efficiency in the social and economic spheres.

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POLAND

FACTORS OF ECONOMIC GROWTH IN 1980's

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 11 Nov 79 pp 1, 2

[Article by Stanislaw Chelstowski: "Capital Spending and Efficiency; Looking to the 1980's"]

[Text] Over the past several years we have come to accept the view which holds that capital spending is the principal tool by which we can realize our socioeconomic goals. This is a deepseated conviction, even though we have often talked and written about the non-capital spending factors which contribute to economic growth. It might be said that this habit is a corollary of the extensive-oriented growth method which have been and still are a predominant feature of our economic development policy. But we can also say that this habit is probably also the logical result of the goals which we have set for ourselves and, at all events, of the methods we have employed to measure the realization of these goals--methods which are primarily quantitative.

Experience has in effect confirmed the validity of this line of thinking. The growth rate of individual sectors of the economy--while of course making allowances for their unique characteristics--has been determined to a large extent by the flow of capital investment funds channelled into these sectors. And the resolution of key social problems, e.g., providing full employment for members of the baby-boom generation to cite just one of several examples, has been contingent upon the volume of capital investment outlays.

At the present time the volume of capital spending is tending to level off and for that matter it is even tending to decline. While during the period 1971-1975 the mean annual growth rate of capital spending amounted to 18.4 percent, during the period 1976-1978 it amounted to only 18.4 percent, and in 1979 it is expected--in keeping with the provisions of the economic plan--that there will be a further decline in the absolute volume of capital outlays. According to the plan guidelines it is projected that during the period 1981-1985 capital spending will account for less than 20 percent of the national net material product. In 1978 capital spending accounted for slightly more than 26 percent of the national net material product. Since it will not be possible during the next Five-Year Plan for the national

net material product to exceed an annual growth rate of 2 to 3 percent, it is to be expected that the absolute volume of capital spending will level off at the present rate or increase only slightly. In light of these facts is it to be expected that capital spending will play a lesser role as the primary means by which we realize our socioeconomic goals?

I do not think so. That is, I think that the role of capital spending will not decline, but will rather increase. However, changes will take place in terms of the way in which this tool is utilized. In other words, the extent to which we are able to modify the way in which capital spending contributes to the realization of socioeconomic goals will determine the pace and extent to which we realize these goals.

This does not mean to say that I am underestimating the importance of a larger-scale transition to the harnessing of intensive and non-capital growth factors. But it seems to me that this transition depends to a very large extent on the changes that will be made in the structure of capital spending and in the actual processes of allocating capital investment expenditures.

The central theme which pervades some of the Plan Guidelines devoted to socioeconomic problems has to do with the functional relationship between the enhancement of management efficiency and the potential for the attainment of social progress. Among the many actions that need to be taken to improve management efficiency I believe that it is most important that we should give "top billing" to the making of major changes in the area of capital spending.

Capital spending is generally regarded--and quite rightly so--as an activity which is geared toward fostering a better future, that is, as something which makes life more difficult in the here and now, but which will produce future benefits that overshadow these burdens. So what chance is there for alleviating our present burdens while at the same time not diminishing future benefits and even hastening their advent?

In our present situation the very fact that there has been a considerable reduction in the share of capital spending in the national net material product is tremendously important in terms of its contribution to the alleviation of many stresses and shortages. For this cutback in capital spending is making it possible to build up some reserves of fabricating materials and raw materials, to reduce the burden on the transportation system and also to make great strides toward stabilizing the supply-demand equation on the market. All of these developments are opening up "efficiency-boosting opportunities," especially so under conditions marked by the existence of a powerful industrial infrastructure, an infrastructure which is moreover continuing to grow at a rapid pace as a result of the completion of installations whose construction got under way in previous years. Last year alone, when the volume of capital spending increased by 1.6 percent, the value of productive fixed assets increased by 8.6 percent, which includes a 9.6 percent increase in manufacturing industries and a 15 percent increase in the construction industry. This potential cannot be fully

utilized precisely because of the existence of certain strains in the economy. So every successful effort that is made to alleviate these strains paves the way for increased production without having to make provisions for additional capital outlays. In other words, such efforts will make it possible for us to make more effective use of the resources already at our disposal.

This interpretation may strike some people as being shortsighted, since it is after all true that the opportunities for reaping gains from the completion of in-process capital construction are bound to be limited. And shortages can be curtailed only temporarily by reducing demand, and it will then be necessary to make a major effort to increase the supply of goods, services and other production factors that are holding back our economic development.

This would be a valid objection if revisions in capital construction policy were to be confined strictly to efforts aimed at reducing the share of the national net material product allocated for capital spending. But together with these kinds of changes it will be necessary at the same time to make far-reaching changes in two other areas, namely, in the structure of capital spending. While not denying the importance and necessity of making policy changes in this area, I would like to approach this problem by focusing on a somewhat different criterion (based on the interpretation and data presented by professor Kazimierz Secomski in his article in *NOWE DROGI*).^{*} Namely, I would like to focus on the criterion of time, i.e., the span of time which separates "today," when we are making capital outlays, from "tomorrow," when we will begin to reap benefits from the results of these capital outlays. For the criterion represented by the duration of the capital cost-benefit cycle, even though it may seem to be outwardly pro forma, is critically important when it comes to measuring the contribution of capital investment to improving efficiency ratings in the economy as a whole.

At the present time approximately 60 percent of all capital outlays is earmarked for installations with realization cycles longer than 3 years. A similar ratio obtains with respect to capital investment projects with long-term realization cycles. These long cycles are the result of the need to build many installations from the ground up. It now seems that these needs are being met for the most part, but in manufacturing industries, even if these needs do exist, their satisfaction must be postponed until a later date. These investment ratios should be reversed, that is, approximately two-thirds of all capital outlays should be earmarked for installations with realization cycles of less than 3 years and half of this amount should be earmarked for capital projects with realization cycles of less than 1.5 years. This change must be made in order to sustain the national net material product growth rate provided for in the Guidelines, and at the same time such a change would go a very long way toward boosting the efficiency

^{*}Kazimierz Secomski. "A New Phase in Capital Investment Policy," *NOWE DROGI*, No 10, 1979.

rating of the economy as a whole. This is because such changes would be linked with simultaneous changes in the substantive structure of capital spending. Capital investment projects with realization cycles of 1.5 years for the most part consist of modernization programs, i.e., programs dedicated to the renovation and expansion of existing capacities. These kinds of programs can be tremendously important when it comes to overcoming so-called production bottlenecks, but they are also important for other reasons. I will have more to say about this later on.

Capital investment projects with realization cycles ranging from 1.5 to 3 years involve the construction of small-scale installations and also more ambitious types of modernization projects. Finally, installations with realization cycles of more than 3 years involve large-scale capital projects, mainly those dedicated to building up the fuels and energy and raw materials base and also the industrial infrastructure (e.g., the transportation industry).

Time-frame modifications in the structure of capital spending are important not only because they will reduce the amount of capital tied up in investment. They will also have a major impact on the market situation. It is well-known that the impact of capital spending on the demand side of the market equation is not just a function of the aggregate volume of capital spending. The volume of zlotys earmarked for capital investment, zlotys which are turned into purchasing power before a given installation has a chance to start producing the expected results, is also a function of the "time" structure capital spending. In recent years every zloty spent on capital construction has been translated into 40 to 49 grosz worth of purchasing power (these are of course estimated values, but they are probably accurate enough) before a given capital project goes into operation. Naturally, this ratio declines in direct proportion to the shortening of the capital project realization cycle. Consequently, even if the level of aggregate capital spending is high, it is possible to moderate or intensify the impact of this spending on the market by modifying the structure of capital investment.

The impact of shorter capital-project realization cycles on efficiency can be heightened by adopting a suitable substantive structure of capital investment. Without going into all the details of how this works, it can be said that it is most important that this structure should be adapted to conform to the "structure of shortages." Hence, top priority should be assigned to two categories of capital investment activity, i.e., the kind which augments the economy's export sales potential and the kind which curbs demand for energy and raw materials. All plant and equipment modernization programs should be subordinated first and foremost to the realization of this goal. This is why these programs should be focused on finding ways to improve the quality of goods produced, on producing goods that are responsive to consumer needs in terms of the functional attributes of these goods, and on the introduction of technologies that conserve energy and raw materials.

For in the years that lie immediately ahead we will not be able to meet the needs of the economy simply by boosting the production of energy and

raw materials. On the other hand, an increase in the volume of our export sales will mean that we will be able to allocate more resources for imports, mainly in terms of the procurement of fabricating materials. From the standpoint of efficiency it is almost always more profitable to pursue a policy geared toward the conservation of fabricating materials than it is to increase the production of raw materials and such a policy can also make a major contribution by helping... capital intensive and this takes a long time [garbled text]. Modernization programs can also help to overcome obstacles in the transportation area, even if these programs go no further than the mechanization of on and off-loading.

Generally speaking, then, a policy which assigns "first priority to the drive for greater efficiency" by making changes in the thrust and techniques of capital investment activity consists in the elimination or amelioration of market supply-demand strains and in restoring economic stability, and for that matter these are goals whose realization is, so to speak, the sine qua non and point of departure for the entire spectrum of actions that need to be taken within the context of this efficiency offensive.

There is one other important point which was not mentioned in the preceding remarks, namely, the impact of changes in the structure of capital spending on the supply side of the market equilibrium equation. And so to this extent too major gains stand to be made by shifting the focus of capital outlays onto short-cycle installations. So-called class B capital investment projects (those involving the production of consumer goods) naturally have shorter project realization cycles. Small-scale industries can look forward to some especially great opportunities in this regard, and this is entirely in keeping with the spirit of the resolutions adopted by the 14th Plenum of the PZPR Central Committee. The vast majority of agricultural capital investment projects also have relative short project realization cycles.

Of course, there is still one basic prerequisite that must be met in order for these ideas about the benefits to be derived from increasing the share of capital outlays invested in short-cycle projects to stand a chance of becoming a reality. This amounts to a thorough-going effort to make the entire capital investment process more efficient, beginning with the planning and program development stages and running the gamut of all the other phases including the design, construction and startup of envisaged production capacities. Experience has shown that our investors and contractors "have what it takes" to spend several years working on the construction of even small and humble industrial installations.

In this respect the Guidelines spell out some clear and unequivocal demands. We should start out by focusing our attention on the scheduling of capital investment projects under the terms of the central plan, within the context of which an effort must be made to do a better job of allocating financial and material resources. This is mainly a question of setting aside sufficient material resources for modernization investment projects, export-sales-boosting projects and projects which will result in the conservation of fabricating materials. This also applies to the entire spectrum of

g materials. This also applies to the entire spectrum of contractor capacities. Generally speaking, given the slow overall growth in capital spending, we are going to have to rely on existing contractor resources to meet the needs of investors. But the main point that needs to be made is that over the next few years the orientation and structure of contractor enterprises in the construction industry are going to be way out of line--to put it mildly--with the structure of capital investment demand. This also holds true for design offices. More than one modernization drive, especially so in the case of smaller plants, has turned out to be a fiasco, since no one could be found who was willing to draw up technical design drawings and blueprints, let alone to carry out modernization projects.

Consideration also needs to be given to the costs and quality of construction work. It would seem--even though this is a separate problem--that in this area many ways could be found to broaden the scope of housing construction even beyond the targets set forth in the Guidelines.

I believe that during the next few years the general importance of revamping our capital investment policy when it comes to the realization of social goals will consist to a lesser extent in increasing outlays of capital that make a direct contribution to social development and to a greater extent in building up the material infrastructure for the sake of improved efficiency. In conjunction with simultaneous efforts aimed at making improvements in the fields of planning, management and economic-financial systems this will pave the way for a major reduction in the social costs of our economic development and thereby enlarge the supply of resources that are essential for an improvement in our quality of life.

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POLAND

DIRECTIONS FOR RATIONALIZATION OF IMPORTS OUTLINED

Warsaw ZYCIE PARTII in Polish No 11, 1979 pp 24-25

[Article by Waldemar Olc, inspector, PZPR Central Committee: "Import Rationalization a Necessity"]

[Text] The rapid rise in imports over the past 8 years was the result of the country's socioeconomic development strategy formulated at the Sixth Party Congress. It was a question of saturating the economy with modern technology to the point where production could be increased for both domestic and export needs. In the 1970's, for each percent increase in created national income, imports (in constant prices) rose by nearly 1.5 percent.

Objective factors dictated the accelerated rise in imports. The rapid rise in production made it necessary for us to supplement our own resources with imports. The rapid investment rate created additional demand not only for machinery and equipment but also for supplies, first in the course of the completion of the investment (building and construction materials) and then when production began (initial outfitting).

Production was also made more import-absorptive by structural changes, particularly the rapid development of production branches which take a higher than average level of imports (electric machine industry, chemical industry, light industry).

The problem of how import-absorptive production is has not always been resolved in the right way. In the planning of new plant openings and in buying licenses, imported materials have been relied upon as the main basis. Often this importation of materials and components had not previously been planned at all, or the quantities planned on had been much smaller. There were instances where the import plan was exceeded, while the license production plan and export plan were not fulfilled. This meant that in many areas there was great laxity in import discipline.

The size of imports is always strictly determined by a country's ability to pay, and this depends mainly on the size of exports. The rapid develop-

ment of production during the past decade and the expansion of economic, scientific, and technical cooperation have created a dynamic rise in the turnovers of foreign trade, but the mean annual growth rate of imports outpaced that of exports. In 1971-1978 imports from payments area II rose at a mean annual rate of nearly 25 percent, but exports to this area increased by barely more than 17 percent (in current prices).

The difficulties in balancing import expenditures would have been far greater had it not been for the fact that we are handling a substantial proportion of them with socialist countries on the basis of multiyear agreements, at prices which are not subject to market fluctuations. In this way we have insured the steady execution of many important investment tasks and stable conditions for supplying many plants.

Of the socialist countries, the largest raw-materials supplier is the USSR, from which we import 72 percent of the crude oil we need, 65 percent of the iron ore and cotton, and 33 percent of the cellulose. The biggest share of imports consists of materials and raw materials for industrial production. This is natural, because there are many raw materials we do not have at all or not in sufficient quantities. Nor are we able to produce all the materials and subassemblies for production. This would after all not be economically justified. It would run counter to the specialization and cooperation principle.

Because of the scale of the national economy's import needs compared to the country's capabilities, in the light of the sizes of credit repayments, the rationalization of imports is taking on great importance. The tasks of the party organizations and echelons in this realm of activity have been focused in the provisions and guidelines of the Politburo and Secretariat of the PZPR Central Committee.

The economic units at all echelons have been charged with an ongoing, penetrating analysis of imports and the development of programs to reduce or eliminate imports by mobilizing domestic production or deliveries from the socialist countries. There are two courses of action which

1. Do not require investment outlays, based as they are on the better utilization of existing production capacity,
2. Require certain investment outlays for modernization to create new production capacity or mobilize new production.

The main directions of political-organizing action concern the activation of the worker self-government and scientific and technical personnel to deal with the problem of rationalizing imports. It is a question of updating consumption standards, substituting materials and supplies, making better use of waste raw materials and other materials and by-products, and bolstering management and operating discipline.

In order to compare the undertakings made with the effects obtained, and in order to exchange experience in efforts to rationalize imports in several voivodships in which the nature and size of industrial production are based largely on imports, at the party's initiative there were meetings of worker self-government activists, management of enterprises, scientific research facilities and institutes, technical-engineering personnel, and activists from the scientific and technical associations. Scientific conferences and seminars were also set up on the same subject. At production conferences and meetings the workers were familiarized with the subject of anti-import activities.

Detailed analyses of imports, especially from payments area II, are made in the enterprises once a year. The results are discussed and assessed at meetings of the POP executive committee and the plant committees, and then are summarized at general meetings of the KM and KMIG. In many plants groups have also been created to monitor the advisability of imports, to oversee the inculcation of technical progress in production, and to maintain ongoing cooperation with the foreign trade centers.

The implementation of these programs is given consideration in assessing the achievement of the socioeconomic tasks performed by the executive body of the party organization and echelon, in the course of talks with the enterprises' management personnel, and within the framework of the comprehensive assessment of the work of the basic party organizations and first-level echelons, performed by the executive committees and secretariats of the voivodship committee.

At the initiative of the party echelons and organizations, the links of the scientific and technical associations have undertaken broad actions on behalf of the rationalization of imports. Programs of action in this area have been drafted for voivodship branches of NOT. The plant groups of the scientific and technical associations have held open discussion meetings for technical and engineering personnel. Social engineering reviews have been made of imported parts, subassemblies, and components, and technological design documentation has been examined from the viewpoint of eliminating imports or replacing them with domestic deliveries.

Among the most interesting instances of initiative to rationalize imports are the exchanges entitled: "We are looking for domestic producers." As the result production has been set up for many goods which used to be imported. Under the NOT voivodship councils have been created groups of specialists to conduct technical consultations and give advice in the realm of finding substitutes for imported goods and materials or setting up anti-import production. Interesting displays of imported materials and components have been set up. They made an offer for setting up the production of these goods domestically.

The party plane of inspiring and control activity to insure the execution of export task and the mobilization of undertakings to rationalize imports consists of the export activation and import rationalization groups operating in the industrial associations and plants which specialize in export. They gather together specialists in the realm of production, supply, quality, and foreign trade.

An assessment of actions and the results achieved already make it possible to formulate certain assessments and observations.

Essential limitation of imports should be planned. Administrative orders and mechanical limitations on essential imports often cause substantial economic and social losses. The search for rational ways to limit imports must be a systematic, consistent, comprehensive effort.

In each undertaking to rationalize imports, the object should be to improve the balance from the viewpoint of the interests of the national economy as a whole rather than the enterprise or sector. Economic theory at the level of the enterprise must take into account the level of import-absorptiveness in previous phases of production.

Many decisions aimed at reducing the import-absorptiveness of production exceed the enterprises' capabilities and jurisdiction. It is therefore essential to have more comprehensive coordination between sectors and ministries. This pertains in particular to the balancing of needs for imported components, subassemblies, and assemblies commonly used in production. For example, there are instances where we import goods which we produce in our country and even export without always having a favorable outcome of the exchange from the viewpoint of the national economy.

Consumers of imported goods do not have adequate meritorical impact on the technical sphere and selection of purchase offers, owing to excessive centralization of decisions concerning cooperative-supply imports in the trade centers.

In the self-financing system there are not enough sufficiently forceful incentives for rationalizing imports, and there are not enough suitable economic mechanisms to encourage anti-import production. The enterprises' clearing and calculations, for example, in connection with the accomplishment of production sold cause the more expensive imported raw materials and other materials to have a more "favorable" impact on the fulfillment of value-oriented tasks.

A frequent cause of high imports, especially in the case of export production, is the lack of domestic substitutes for supplies which would meet customers' demands, or those of classification societies. There are orders (protected in contracts) concerning technical supply of spare parts, components, and subassemblies for machinery and equipment concretely requested by the ordering firms.

Efforts of party echelons and organizations to rationalize imports will produce significant effects and experience making it possible to develop new and better forms and methods of action in this area. The basic condition for success is the systematic assessment and control of the extent to which the programs adopted for the rationalization of imports are carried out by the executive groups of the party organizations and echelons.

10790

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DOMESTIC TRADE-STORES AGENTS -- VIEW FROM THE OTHER SIDE

Warsaw PRZEGLAD TECHNICZNY-INNOWACJE in Polish No 46, 18 Nov 79 pp 23-24

[Article by Ewa Zawistowska: "Agencyholder No ..., or the View From the Other Side"of the Counter"]

[Text] An agency certificate holder (that is, an "agent," because that is the official name) gains the title in a rather simple way. First you have to have about 100,000 zlotys. Then you go to the headquarters of SPHW, [Warsaw] Capital Domestic Trade Enterprise and express your intention to take over a shop (they do not require any sort of diploma or certification). Well, then all you have to do is try not to fail. This is what Mr A, a newly installed agent says.

Mr A, who in the past had been in the shop only as a customer, decided to take on an agency for financial reasons, as he himself puts it. He had been making 4,500 zlotys. He had a wife and child to support. Therefore, when the limit on moonlighting suddenly became stricter as well, Mr A had began to think about where he was going to get some money. He happened on the idea of an agency shop thanks to a friend, who engages in "private" trade and promised to lend him the 100,000 for the initial fee. Well, that is how it all got started.

His wife was to run the shop. Mr A took a month of vacation to help set up the operation.

In an outlying neighborhood they got a two-person shop (they have designated all such shops for agents) with lingerie and notions next door. "Well, a woman could handle this all right," Mr A mused happily. "Provided she knows what she is doing," his wife said icily. It is true that they did not have much of an idea about trade in general or agencies in particular. It is true that at the headquarters they had signed a paper saying they had undergone the necessary training, but it had looked like this: "Ladies and gentlemen, this is the cash register, this is bookkeeping, and this is the director's office." Therefore they tried to learn some-

thing on their own in various ways, from their "privateer" friend, from the agent whom they met through him, and so on, and now they know a little. For example:

These are the calculations: They have to take in 650,000 per month, so this means that each day they have to sell about 25,000 zlotys worth of goods. The director's office sets this standard. It is estimated that 12 percent of the monthly take represents their profit. Out of this profit a lump sum of 52,000 is paid each month (this already includes the light, telephone, and insurance). They keep the rest of the profit. As it works out, if they fulfill the plan, they can earn 26,000 a month. The only thing is they do not know if it will be that easy to take in the 25,000 zlotys a day they need to to meet the norm, selling as they are in a rather slow bra and notions outlet. And this was probably their first "unbusinesslike" move. The agent should fight for a good spot. The best would be the central downtown area.

Where does the agent's profit come from? The merchant earns 10 percent on goods taken from the state warehouse. Goods obtained from a private producer are sold at a profit of 20 percent. Now everyone knows why it is most profitable to have a boutique, in which you can sell fashionable but expensive goods which come only from a private manufacturer. Mr and Mrs A had taken a neighborhood shop, and were no longer free to make a change, nor did they want to, so they started thinking.

What is the shop going to be like? Mrs A for example remembered from the newspapers that the agent is supposed to be close to the customer, know his needs, and try to satisfy them. But who is going to buy in the neighborhood? Those who stay home in the forenoon, mothers with small children and retired people. It is near home that they buy their zippers and seam binding, and also sweaters for the children or a blouse for themselves, Mrs A thought, so in order to meet the needs and at the same time the norm, they expanded their range of offerings with ready-to-wear for women and children, not anything too fancy, just little everyday things. Mrs A is not certain whether she will also make a hit with the customer's taste. She would like to sell things which she herself considers attractive. She always went cold when people shoved terrible things in front of her for her to buy, so now she does not want to put out ugly things for people no matter what. And this was probably the second time that Mr and Mrs A had an "unbusinesslike" way of thinking, because they are not yet able to honor the principle of "profit at any price." Having become more or less familiar with the "market," they decided to get three-quarters of the goods from the warehouse and one-quarter from private producers. But still beforehand was

The inventory. They took over the shop with goods valued at nearly 2 million. At the director's office they fought to leave the goods at a million, because otherwise they would not have had enough for the deposit. Even so they paid 80,000. During the inventory they put over to one side what they

considered worth leaving in the shop and to the other side, those things they wanted to get rid of. And they overshot the mark with these returns, by a whole 200,000. That means that they paid a deposit on a million but kept goods valued at 800,000. The director's office even promised to add more goods, but later the matter slipped by. Mrs A now knows today that they should have kept even the junk. She could have somehow pushed this too. Mrs A is learning how to think as a businesswoman.

Looking for goods. While Mrs A was counting the zippers for the inventory, Mr A was going around Warsaw and the suburbs looking for attractive goods for "the opening." He took with him his younger sister, who knows what is fashionable. But among the private manufacturers they did not know anything yet about who makes what. They went to a boutique as though to buy something but really to size things up with the tapemeasures. And from there they went to the manufacturers. The display for the "opening" was marvelous. There were also ribbed velveteen slacks and raw cotton dresses and fashionable skirts.

They opened the shop on Wednesday (because the trade custom says to "open" only on a Wednesday or a Saturday). They took in 20,000 in 2 hours. They were a little late the next day. In front of the shop there was a crowd of the size Mrs A had not seen in a long time. "Don't stop the car," she told her husband. We'll wait. But she got up her courage, although she recalls that day even today with horror. She made her stand with dry goods, and because she had always been poor with figures, she got herself a calculator to count up the buttons and seam binding. The only thing was it was one of the old kind, the sort you plug into the electric outlet. Of course she was always running into the electric cord, knocking the calculator on the floor, until finally a whole box full of buttons fell on the floor along with it, and the customers all grabbed them. Now the traffic has died down. How often will a woman from the neighborhood buy something pretty to wear from her? Maybe once every 6 months. So the holiday was over, and now everyday life has begun. It is good that her husband is helping her. For Mrs A, even before they opened the store it became clear that she could not handle it alone, that is, that

Her husband must make a decision, give up his old job. It was not an easy decision, because up until then Mr A had been a lecturer at a college. How he is selling women's bras. "You never know what a person has in him," he says. Who is there who has not at least once in his life wanted to be different? So let us say that this is an adventure. A fast, intensive life suits him very well. Nobody knows at all but which education is not losing on the trade, to the benefit of the customers, I thought to myself and considered to follow Mr A's enterprise further. I had two reasons, three even.

First, I wanted to see what the agency business looked like from inside the kitchen. Is it really true that big money is made this way, and is there any chance that the agency permit holders will achieve the planned goals,

that they would exist for the convenience of customers and not the other way around? And in this new role what would things be like for somebody without any commercial preparation, like Mr A, which was

The second reason. Mr A is an example of a man changing not only his occupation but also his "status" membership, because he is shifting from the category of "creative intelligentsia" to the "small merchant and craftsman" group. He is leaving an occupation in which social prestige far exceeds income in favor of an occupation in which these ratios are to be reversed. Will the way Mr A feels about himself change too? Will there be a change in the satisfaction, so-called, which he gets from his work? On which side is it the greater (if the two categories can be compared at all)? And the education which has been wasted. Yes, that is it. And one more thing: As a person running an agency shop Mr A will acquire bargaining strength, something he never had as a modest scientific employee. This ability will allow him to enter the ranks of people who are "well set up." Will Mr A give in to that temptation? It is a great one. Let us take the simplest example. Mr A is a customer at a gas station. As an academic, how would he manage? He would not be able to. But as a man with an agency shop, a person who in exchange can handle corded velveteen slacks, he will be somebody. For the moment Mr A is seeing the trade sector with a so-called fresh eye.

Careful from a distance. And this is the third reason, because the trade sector is usually associated with a dense jungle of unwritten customs and laws. How will Mr A make it through this jungle, or what sort of arrangements will he get into? Will he learn to think like a merchant? Will he fall into the informal practices? Time will tell.

10790

CSO: 2600

METHODS FOR INCREASING EFFICIENCY IN ENERGY MANAGEMENT DESCRIBED

Warsaw NOWE DROGI in Polish No 10, Oct 79 pp 120-132

[Article by Andrzej Gdula]

[Text] The basic element in Poland's socioeconomic development to the end of the current five-year plan and throughout the eighties will be the achievement of a substantial improvement in management efficiency. Among the national economic reserves that can be utilized to improve management efficiency, those in energy management are particularly important due to energy's role in the country's socioeconomic development. It is a fact that already energy shortages do not permit full utilization of huge production assets while at the same time much of our energy is not being used efficiently and sometimes is even being wasted. Therefore, more efficient utilization of energy in the entire economy is very important in the strategy for the country's further socioeconomic development. If progress in improving energy management is too slow, the main social goals in the country's development will not be attained.

The difficulties that have appeared in recent years in meeting the demands of the economy and the people for fuel and energy are not just temporary. Most of them accumulated over the years and thus acquired a permanent structural importance. Among the many reasons is the excessive energy-intensiveness of our economy. The high level of this energy-intensiveness is expressed not just in the steady growth in primary energy consumption in absolute numbers or calculated per each inhabitant. Energy-intensiveness growth trends are best revealed in the energy flexibility factor of the generated national income. In 1974 the generated national income rose 1 percent while primary energy consumption increased about 0.5 percent. But in 1975 the flexibility factor was 0.7 percent; in 1977 it increased to 0.8 percent; and in 1978 it was over 1.5 percent. This exceedingly high level of energy-intensiveness, on an average 24 times higher than in highly developed countries, continues to increase despite the measures taken in recent years to reduce it. The lack of more perceptible results of these measures demands a very deep analysis of the reasons for the increase in energy consumption. Frequently we hear the opinion that this is related to the country's economic

growth rate. But experience in other countries, including the socialist ones, shows that such opinions are erroneous because there can be a rapid growth rate of development with a much lower rate of increase in energy demand. The main reasons for the growing energy-intensiveness of development in our country can be divided into two groups:

The first group includes:

- a long-standing materials production structure that is comprised of a disproportionately high share of raw materials and energy-intensive industries,

- excessive material-intensiveness of production,

- disparity between the structure of the country's solid fuels and the growing demand for liquid and gas fuels,

- use of obsolete equipment and production technology,

- high heat losses in municipal-residential management,

- deteriorating economic conditions for obtaining domestic and imported fuels,

- failure to consider costs and prices of fuels and energy,

- underestimation of energy-intensive problems in scientific research projects and in planning new investments,

- shortage of qualified energy people in all management sectors.

The second group of reasons includes:

- problems relating to the locations and growth rate of the fuel-energy industry,

- problems relating to the effectiveness of measures taken to improve energy management efficiency.

Industry consumes the largest share of energy in Poland; in 1977 it was responsible for almost 52 percent of the country's total direct energy consumption. But in industry itself, 75 percent of the energy was consumed by four branches: mining, iron and steelmaking, the chemical industry, and the construction materials industry. Since 1970 the electro-engineering, light, and food industries' share in energy consumption in industry declined.

The municipal-residential sector ranks second in energy consumption in the national economy, consuming about 35 percent. This sector encompasses all households, individual farms, buildings, public installations, trade, services and individual motorization. This sector's high share is explained

by the low efficiency of the energy equipment in common use. We refer mainly to municipal and household heating equipment, inadequate thermal insulation of buildings and accommodations, and commonly used energy equipment.

Next in order of energy consumption are transport, agriculture and construction, which consume 8, 3 and 2 percent, respectively.

The national economy's energy-intensiveness is greatly affected by the structure of the fuel-energy balance. In view of the dominant position of coal, exceptional and unparalleled on the world scale, this structure is less flexible in reacting to energy demand and it also has a higher level of losses in the conversion of primary energy (mainly coal) to derived energy (electric power and heat, coke and gas). It should be pointed out that the magnitude of the losses is due to the objectively existing efficiency limits of the equipment that converts primary energy, e.g., the electrical energy generating efficiency in public-utility electric power plants is 30 percent. Obsolete, low-efficiency engineering power equipment is in operation in many production plants, e.g., of the 11,000 boilers installed in the country, 5,000 operate at efficiencies of less than 60 percent. Frequently there is no control and automation equipment that would reduce power losses. The sources of the losses include such items as a worn electrical power transmission grid, use of steam locomotives in rail transport, and a low share of mechanical vehicles with high-compression engines. Because the sources of energy losses are being eliminated much too slowly and energy is simply being wasted, energy consumption indexes per unit of production are much higher than those that would be obtained if new or modernized equipment and technology were in use.

One of the factors that helped shape the energy-intensive structure of our economy was the failure to apply cost-effectiveness in defining the role of energy in economic growth. It was generally believed that Poland is a country with cheap and plentiful energy. Based on this belief, development programs were planned for the most energy-intensive and material-intensive branches and subbranches of industry, treating them at one time as an expression of export specialization. This approach to energy-intensiveness problems was related to the underestimation of energy's social value. This value is the drawn prime cost of obtaining, transforming, transmitting and utilizing energy, increased by the investment costs in the fuel-energy complex. Failure to consider energy's social value makes it impossible to analyze the accumulated energy fund in the national assets or the energy-intensiveness of foreign exchange, thus distorting the energy balance in economic development. This also affects the traditional application of technological indexes in energy-intensiveness comparisons, in which energy consumption is determined only in the final phase of finished product manufacture.

However, in order to produce a finished product, energy is required in all phases in the production of raw materials, machinery and equipment, tools, co-produced elements, and also in haulage. Every finished product contains

accumulated energy in all phases of its manufacture. This is called drawn energy-intensiveness. Preliminary work conducted in Poland on this subject shows that the drawn energy-intensiveness of final products is several times higher than direct energy-intensiveness. For example, the drawn energy-intensiveness of rolled products is more than 6 times higher; of electrolytic copper, 3.5 times higher, and of aluminum, 4 times higher.

The impression of Poland's cheap energy arose from the rules in effect for establishing costs and supply prices. Typically, in the economics of our industry, fuel and energy's share in total industrial production material costs is minimal. In 1971 this share was 5.1 percent. In 1975 it fell to 5.0 percent, and in 1977, as a result of the reforms in supply prices, it rose to 5.1 percent. A comparison of the locations of the specific sub-branches of industry, from the standpoint of energy consumption, to the share of energy costs in material costs, is quite interesting. Apparently where energy consumption is particularly high, the share of energy costs in material costs is lower. This reveals the irregularities in the present level of fuel and energy supply prices. A situation thus exists that provides that from the general economic standpoint the most costly fuel, because it is incorrectly priced, is the cheapest fuel for the industrial consumer. This can have especially negative effects in export transactions since the efficiency calculation does not take into account the value of foreign-exchange energy. So if we calculate the value of consumed fuels and energy in industry in world-market prices, the share of energy costs is, on the average, more than double that calculated in domestic prices. The trend in rising energy costs as observed in Poland and throughout the world should be taken into account in formulating development programs. A country with expensive energy must develop energy-intensive economic structures.

In analyzing the second group of reasons for excessive energy demand, attention should be called to two problems that reflect the role of the fuel-energy industry in the national economy. The basic data on the place and growth rate of fuel-energy industry development are shown in the table. An analysis of these data indicates that some important changes occurred in the share of the fuel-energy industry in the entire socialized economy, both from the standpoint of the amount of gross production and in the amount of fixed assets and investment outlays. Because an incorrect fuel and energy price structure was in effect, the share of the fuel-energy industry in the value of gross production of the entire industry fell to 8 percent in 1978, while in 1970 it was still 12 percent, and in 1975 it was 10.5 percent. This meant that during 1971-1975, the investment outlay rate for this branch of industry was lower, compared to the very high investment rate in the entire industry, while at the same time there was a large increase in absolute volume of investment in the fuel-energy industry. On the whole, during 1971-1977 the value of fixed assets in the fuel-energy industry rose over 60 percent. This was a larger increase than the gross production increase in the fuel-energy industry.

Share of the Fuel-Energy Industry in Socialized Industry

Lp.	(1) Wyszczególnienie	(2) Gałęzie przemysłu	1970	1975	1977	1960	1970	1977
			1960 =100	1970 = 100	w odsetkach w cenach stałych z 1971 r. (3)			
I	(1) Produkcja globalna (ceny stałe)	(7) Przemysł uspołeczniony ogółem	228	108	123	100,0	100,0	100,0
	(8) Przemysł paliwowo-energetyczny	(8) Przemysł paliwowo-energetyczny	192	137	154	12,0	10,5	8,4
	(9) w tym:	(9) w tym:						
	(10) - przemysł węglowy	(10) - przemysł węglowy	145	125	135	7,5	9,2	3,7
	(11) - przemysł paliw	(11) - przemysł paliw	279	147	170	2,3	2,7	2,3
	(11) - przemysł energetyczny	(11) - przemysł energetyczny	258	154	178	2,2	2,6	2,4
II	(5) Środki trwałe produkcyjne	(7) Przemysł uspołeczniony ogółem	203	150	108	100,0	100,0	100,0
	(8) Przemysł paliwowo-energetyczny	(8) Przemysł paliwowo-energetyczny	204	130	162	30,2	30,4	25,1
	(9) w tym:	(9) w tym:						
	(10) - przemysł węglowy	(10) - przemysł węglowy	177	122	138	13,6	11,7	8,3
	(11) - przemysł paliw	(11) - przemysł paliw	229	144	185	4,6	5,2	4,9
	(11) - przemysł energetyczny	(11) - przemysł energetyczny	227	153	174	12,0	13,5	11,9
III	(6) Nakłady inwestycyjne (ceny stałe)	(7) Przemysł uspołeczniony ogółem	212	270	278	100,0	100,0	100,0
	(8) Przemysł paliwowo-energetyczny	(8) Przemysł paliwowo-energetyczny	185	191	197	30,8	26,8	10,8
	(9) w tym:	(9) w tym:						
	(10) - przemysł węglowy	(10) - przemysł węglowy	130	100	248	15,3	9,4	8,5
	(11) - przemysł paliw	(11) - przemysł paliw	350	217	68	3,8	6,2	1,8
	(11) - przemysł energetyczny	(11) - przemysł energetyczny	201	175	229	11,3	11,2	9,5

Source: "Statistical Yearbook for Industry", 1978, Warsaw

Note: In accordance with the national economy classification system in effect on January 1, 1976, the fuel-energy industry includes:

1. Coal industry - hard and brown coal production
2. Fuel industry - coke, gas, petroleum and refining industry
3. Energy industry - electric power and heat production

Key

1. Item
2. Industry branches
3. In percent, in 1971 fixed prices
4. Gross production (fixed prices)
5. Fixed production assets
6. Investment outlays (fixed prices)
7. Socialized industry, total
8. Fuel-energy industry, including
9. Coal industry
10. Fuel industry
11. Energy industry

The figures and comparisons given in the table show that the national economy, provided with huge outlays for the development of the fuel-energy industry, which rapidly raised fuel-energy production, at the same time expanded the potential for rapid growth of energy demand. This reasoning may seem to be paradoxical, however it appears to be indisputable for if it were not for the high rate of development of the fuel-energy economy, there would not be this increase in energy-intensiveness of the national income. It was also apparent that measures directed at reducing the energy-intensiveness growth rate and improving energy management efficiency, did not bring the anticipated results. At the forefront of these activities was an order to reduce the energy demand rate by introducing energy-saving technological processes and installing the most productive machinery and equipment. However, the abundant inflow of modern technology and engineering did not stop the growth in energy consumption by the economy, and in many fields an increase in energy-intensiveness was noted. The investment structure, in which the heavily material-intensive and energy-intensive industries continue to be very important, has largely contributed to this. The high increase in energy consumption was also caused by modernization of agriculture, rapid expansion of motorization, and housing construction. On the other hand, it was not possible to increase outlays for improving the efficiency of energy management, because the funds allocated for development of the fuel-energy industry were increased. Improvement in energy management efficiency is understood to be all of the planned technical, economic, organizational and administrative steps that would improve the efficiency of energy utilization in all phases of the energy cycle in the national economy.

Poland was one of the first countries to embark on planned activity to increase energy management efficiency. As early as the sixties, losses in energy consumption were reduced and many cases of waste and disregard of elementary thrift practices were eliminated. For 1976-1980, the government plan for increasing energy management efficiency provided that 24 million tons of standard fuel be obtained, a reduction of fuel and energy consumption in relation to generated national income. The greatest potential for reducing energy-intensiveness is in industry, which should reduce energy consumption during this period by about 15 million tons of standard fuel (tpu). The magnitude of the problem of improving the efficiency of energy consumption in industry is illustrated by the amount that it used. In 1977 industry used almost 453 million tpu. The basic element in the government program for increasing energy management efficiency is the plan for modernizing technological processes and energy equipment. It envisages savings of 9 million tpu. The cost of implementing the modernization plan is estimated to be 11 billion zlotys. The plan envisages realization of about 2,000 enterprises in 11 ministries of the economy.

In comparing the size of outlays for energy management efficiency improvement with the amount of gross outlays for fuel-energy industry expansion, it is easy to see that there is a decided tendency to give priority to expansion of the fuel-energy industry's production capacity and to attach less importance to energy management problems, of which only a portion are related to

investment expenditures. Most efficiency improvement measures are of the noninvestment type. The same pattern appeared during 1971-1975. The concepts of an alternative choice between the feasibility of improving energy management at lower outlays and the construction of a new fuel-energy industry building were too narrowly defined. Multi-variant economic analyses indicate that energy management throughout the world should change fundamentally. At present most outlays are directed toward obtaining and supplying energy to the buyer. In the future, the highest priority will be given to the energy utilization phase, for which over half of these outlays should be allocated. This qualitative change in the approach to energy problems should also be made in Poland. The strong pressure to expand the fuel-energy industry along with the current excessive energy-intensiveness and the faulty system of energy costs and prices, works against those enterprises that have overall, systematic improvement in energy management efficiency as their goal.

Activities in this area are mainly directed toward:

- expanding the conversion of hard and brown coal to electric power and centralized heat and increasing efficiency by concentrating the conversion of these fuels in large energy blocks and an increasing degree of thermal-electrical association.
- restricting the direct burning of coal in industrial processes, rail traction, and in households,
- improving the efficiency of electric power and heat utilization by conscientiously servicing energy equipment, gradually modernizing it, spacing production schedules sensibly, and instituting new, energy-saving practices,
- developing the know-how and expanding the production of high-efficiency machinery, installations and equipment for industry, transportation, building construction, agriculture and municipal-residential purposes,
- improving the thermal insulation of buildings, accommodations and heating equipment,
- reducing the consumption of energy per unit indexes and increasing the recovery of secondary, waste-derived energy.

Within these particular activities are specifically enumerated tasks for efficiency improvement that describe not only their technico-economic substance, but also establish target dates for completing the approved measures.

An assessment of the realization of the government program for improving energy management shows that it is progressing with considerable difficulty. The level of program completion during 1976-1978 dropped. In 1976 about 93 percent of planned energy savings were achieved; in 1977 the figure was only 72 percent; and in 1978 it fell to 69 percent. Such long delays in realization of efficiency improvement tasks, as shown by inspections conducted by the staff of the Main Inspectorate of the Power Industry (Główny Inspektorat Gospodarki Energetycznej), are largely due to:

- lack of suitable machinery and equipment,
- difficulty in obtaining technical specialists,
- shift of funds to other purposes,
- changes in investment plans,
- lack of incentives in economic-financial enterprise systems.

Particularly disturbing are those cases where the individual working places do not undertake the planned modernization tasks and instead, compute the results of emergency measures, frequently of a restrictive type.

The program for energy management improvement is based on a broad system of motivations. The bonus system introduced in 1975 for efficient utilization of fuel and energy, is the most important of these motivations. Under this system, bonuses are awarded for the following:

- reduction in fuel and energy consumption unit indexes,
- use of difficult-to-manage fuels,
- underutilization of allocated fuel and energy.

Consumption restrictions apply to all energy sources. This is a basic tool in the realization of fuel-energy balances that comprise the integral part of national socioeconomic plans.

The difficulties in fully satisfying the fuel and energy needs of the national economy and the people, further intensified by the incomplete realization of the utilization improvement program, have made it necessary to undertake an additional emergency energy savings program for 1979 and 1980 and to accelerate preparation of a long-term energy management program. The emergency action program was prepared on the basis of motions passed by the political bureau of the central committee, PZPR, in April of this year. It covers the complex of enterprises, both technical as well as economic-organizational. The basic emergency tasks include:

- verification of fuel and energy consumption per unit indexes,
- an increase in investment outlays over and above the planned amount, for development of a fuel-energy base, at the same time emphasizing the necessity for implementing the energy management modernization plan,
- periodic restrictions on the production of the most energy-intensive products,
- improvement in methods of balancing, limiting and controlling fuel and energy consumption,

--standardization in the awarding of bonuses for efficient energy utilization,

--expansion of overall competition in work on energy management problems.

It is expected that the emergency savings activities in socialized management units will be productively supported by the people of a country whose demand for energy is increasing rapidly. The concern here is not just thrifty management of fuels and energy in households, but inculcation of the same thrift habits in working places.

The formulation of a long-range program for energy management gives rise to far more complicated problems. The recommendation for development of such a program was accepted at the PZPR's Second National Conference. This program is in the final phase of completion. There is no doubt that the country's further socioeconomic development will require an increase in energy consumption. The size of the demand will depend largely on two factors, i.e., the growth rate and structure of economic growth and the results of energy management improvement. Furthermore, in determining the demand for energy we must consider:

--the structure of the fuel-energy balance; the higher the share of solid fuels, the higher the demand for primary energy,

--the structure of the conversion of primary fuels; the greater the share of low-efficiency processes, e.g., electric power production, the greater the fuel demand (losses in energy conversions in Poland amount to 30 percent of entire energy consumption, not counting losses in industry and energy utilization),

--the inclination of the national economy to improve the efficiency of energy consumption, which stems directly from the unitary level of the national income.

Considering the above, it has been estimated that the real potential for reducing the unitary energy-intensiveness of the national income may amount to 20-25 percent by the year 2000. Full exploitation of this potential would mean that by that time the level of energy-intensiveness in our economy may drop to that of the economies of highly developed countries. At first glance, it would seem that the potential for improving energy management efficiency was estimated too modestly. But the scope of future efficiency improvements is subject to many limitations. Essentially they include:

--the inevitability of losses resulting from energy conversions and power transmission, related on the one hand to the technologies of energy conversion and power transmission, and on the other hand, to the need for increased production of electric power, coke, gas and other types of energy derivatives,

--an expected increase in energy consumption in certain branches of industry because of expanded production plans, e.g., in the extraction of mineral raw materials,

--the unavoidable growth in energy-intensiveness in those areas of the economy whose share in the production of national income is lower than their share in energy consumption,

--the long lead time required by modernization processes in industry; many energy-intensive production plants built relatively recently will still be used for many years. This refers not only to industry but also to agriculture, construction, and the municipal-residential sector,

--rapid expansion of housing construction and social infrastructure,

--expansion of mass and individual motorization.

In order to efficiently utilize energy for the above-listed needs, some production branches will have to greatly reduce their consumption per unit indexes, and the more energy-intensive branches will have to restrict their growth rate. It is very important to properly understand the effectiveness of measures taken to improve energy management. In evaluating efficiency improvement results, not only must the purely energy aspects be considered, but also the effectiveness of the socioeconomic elements. There may, of course, be a situation where the energy saved by way of efficiency improvements is too costly socially. A so-called energy determinism, or an evaluation of the national economic state only from the energy standpoint, should be avoided. Savings in energy consumption should be a means to attain social goals, and not a goal in themselves.

Gradual but responsible actions to effectively improve energy utilization are the substance of the program for energy management to 1985, and will serve as a guide to 2000. It is envisaged that the program will broadly encompass all of energy management, beginning with geological exploration of domestic energy resources, obtainment of raw materials for energy, further expansion of public-utility power, industrial and municipal, ending with the need to pass to an energy-saving structure of material production and general improvement in fuel and energy consumption in all sectors.

In preparing the program, it was decided that the goal-directed tasks that stemmed from it, should be accomplished on four planes.

The first comprises current activities. Included are conscientious utilization of energy equipment, maintenance of discipline in the conduct of technological processes, improvement in scheduling and quality of production, and efficient management of energy in households.

The second encompasses tasks for increasing efficiency that should bring energy savings. These include replacement of low-efficiency energy equipment, general installation of thermal insulation and equipment for recovering waste and derived heat and expansion of dieselization of transport.

Third are those tasks relating mainly to production know-how and installation of new energy-saving equipment and technology both in newly built buildings and in those that have been modernized.

Finally, the fourth plane covers the planned rebuilding of the branch and subbranch structure of the national economy. The efficiency-increasing measures contained in the program should be instituted simultaneously on all planes, but the results of these undertakings will only become apparent gradually. That, too, is how the results of the long-term energy management improvement program will be calculated.

Much attention in the draft program is given to managing imported, liquid and gas fuels and the directions of research and development work, both on reducing the energy-intensiveness of the economy and on developing know-how on new energy sources. In work on the long-term program, use is made of the funds of knowledge available in many Polish scientific institutions, planning organizations, and the experience of brother socialist countries. The significance of the energy management development program and its importance demand that an extensive examination be made of the country's actual energy situation, and also its assets and experience in implementing our economic policy in this very important segment.

The principle goal of the long-term program is to shape energy policy so that in coming years conditions will exist that will insure the country's further socioeconomic growth. The program's tenets, therefore, indicate the real potential for decreasing energy-intensiveness, intensifying improvements in utilization of all energy carriers, and the absolute necessity for eliminating sources of energy losses and waste. Emphasized also are the conditions for greatly increasing the fuel-energy industry's social effectiveness, and, at the same time, instituting a system of general energy savings.

The guidelines of the long-term program are based on the premise that the foundation of Poland's energy management is, and will be, hard coal. The role of brown coal will also increase greatly. Both these energy raw materials, our great national wealth, should be economically and prudently exploited. Based on this assumption, broad directions of activity are proposed to insure that the country will have the necessary energy supplies. The program's comprehensiveness stems from the broad interpretation of energy management. The basic elements of the program include:

- emphasis on the primary importance of further improvements in energy management,

- determination of the optimal growth rate of the domestic fuel-energy base,

- formulation of development trends in the energy and mining machines and equipment industry,

--broad participation in the CEMA policy program in the area of energy management, mainly in the form of participation in joint energy investments in the USSR,

--emphasis on the socioeconomic importance of optimizing energy management within the national economic system,

--the role of science in solving energy problems, in accordance with the decision of the twelfth plenum of the central committee, PZPR, on the preparation of a new government research and development program, PR-8, "Optimization of energy supplies in the national economy".

The previously indicated real potentialities of a 20-25 percent reduction in the national economy's energy-intensiveness, are a large energy reserve that must be fully exploited. Thus, the long-term program recommends that the efficiency improvement tasks be concentrated on the following problems:

--reduction of energy consumption in technological processes,

--reduction of the unitary consumption of liquid fuels in transport,

--improvement in thermal insulation in buildings,

--increase in efficiency of thermal-electrical conversions,

--application of thyristers in industrial power feed,

--wider application of centralized heating systems,

--production of energy-saving energy receivers,

--elimination of sources of energy losses and waste.

Most of these tasks are already underway. The problems that most urgently require correction are, besides obsolete and energy-intensive equipment and technology, inefficient management of liquid fuels and lack of thermal insulation in buildings.

Rapidly expanding motorization together with the growing mechanization of agriculture and construction has resulted in a large growth in demand for motor fuels and lubricating oils. Because these are the products of reprocessed imported raw material, petroleum, an exceptionally well-considered program of action is mandatory to reduce the demand rate for liquid fuels in this area. The preliminary assumptions of such a program indicate that up to 25 percent of these exceptionally costly fuels can be saved in the coming years. To achieve this, various measures are proposed, such as:

--general dieselization of trucks and delivery vehicles,

--establishing government standards for fuel consumption,

- establishing a 90 km/h speed limit for passenger vehicles,
- modernizing highways,
- improving the service and operation of motor vehicles and machinery,
- optimizing haulage,
- restricting the import of excessively fuel-intensive vehicles and machines.

Among the specific proposals, one worthy of attention is the proposal to return to the production of the 126p automobile with a 600 ccm engine. Introduction of the 650 ccm engine increased gasoline consumption on an average of 1 liter per 100 kilometers, which on the world scale means a waste of thousands of tons of gasoline.

The problem of liquid motor fuels is linked directly to management of greases and lubricating oils. An improvement in the quality of these products may make it possible to lengthen the period of their use, which will bring large savings. Recycling of used oils will be similarly or even more effective. Of the liquid fuels, heating oil is very important. It is indispensable in certain technological processes, e.g., steelmaking, but its use for heating purposes in other branches of industry, in agriculture, or in municipal management, can be reduced.

The lack of adequate thermal insulation in buildings and accommodations is of particular concern. It is the cause of enormous heat losses, making it obvious that buildings and accommodations should be treated as large consumers of energy. Installation of good thermal insulation, e.g., mineral wool, thermal panes, and better sealing of sheet assemblies, will produce a 30 percent saving in heat consumption. Positive results are achieved also by proper location of buildings, amount of glassed area, shape, etc. At a time when energy is becoming more and more expensive, standards dating back to the period of cheap and abundant energy are still in effect. For example, standards of heat penetration in Poland, though very liberal in comparison with other countries, are generally exceeded. This frequently occurs in buildings assembled from prefabricated elements. Heat losses are increased still more by inefficient central heating systems, e.g., lack of automatic heating units and heating thermostats.

The potential for improving the efficiency of energy management in our country is tremendous. The full realization of this potential calls for the commitment of the entire national economy and all its components, and also every Polish citizen.

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PROBLEM AREAS IN CONTRACT FULFILLMENT

Bucharest REVISTA ECONOMICA in Romanian No 38, 21 Sep 79 pp 5-6

[Article by I. Gheorghiu: "Requirements for Fulfilling Economic Contracts"]

[Text] Complete fulfillment of the physical plan in every enterprise is vital to the efficiency of the technical-material supply mechanism throughout the national economy. As Party Secretary General Nicolae Ceausescu said at the Working Conference of the Party Central Committee in September 1979, all economic units must redouble their efforts toward regular fulfillment of all physical tasks in the production plan in the approved assortments, in order to secure the technical-material base of the production plan according to the contractual provisions.

In order to carry out these tasks of critical importance to the nation's economic development, greater efforts are being made throughout the national economy on behalf of complete and prompt manufacture and delivery of products in the quality and varieties specified in the contracts for this year as well as early completion of the program to secure the technical-material base for the 1980 output.

Fulfillment of Physical Plan Is Vital to Supply

Analysis of the stage of fulfillment of the economic contracts for this year once again confirms the importance of the role of every economic unit and every labor collective in providing for regular delivery of raw materials, materials and products according to the concluded economic contracts, since the due course of investment and other productive activities, the export trade, public supply etc. heavily depends upon the proper fulfillment of these contracts. A good example of this is the fact that about 200,000 economic contracts with current deadlines have been properly fulfilled by the supply units and that these contracts actually include several million items of materials and products that were delivered by the contractual deadlines, thus adequately providing for the material base of the enterprises' production plans.

Nevertheless it must be said that in the first 3 quarters of this year, and in the last few months especially, some enterprises had difficulty in meeting the production plan because they did not receive some raw materials, materials and products according to their contracts with the suppliers. As of 1 September 1979 nearly 30,000 economic contracts were overdue. In particular, difficulties for a broader area of the economy have been caused by the arrears in metallurgical materials from the Galati Ferrous Metals Combine especially, those in paints and varnishes from the Bucharest Policolor Enterprise, those in tires from the Bucharest Damubiana Enterprise, etc.

These arrears are due to a series of causes that must be eliminated promptly and effectively for the sake of the material supply of the plan and the regular fulfillment of the physical production tasks.

1. One important course of action is to make every effort to fulfill the physical tasks in the production plan in the approved assortments. We are bound to say that over two-thirds of the volume of economic contracts incompletely fulfilled this year is due to nonfulfillment of the production plan. Since a large part of these overdue contracts are due to capacities that have not yet been activated or have not attained the planned parameters, it is necessary:

- On the one hand, to take intensive measures to recover the lags in activation of the production capacities specified in the plan in all sectors but especially in the chemical and ferrous metals industries. The best measure for the ministries, centrals, and supplier and beneficiary enterprises is to expedite and regularly check deliveries of manufacturing equipment.

- On the other hand, in case of temporary shortages of any resources specified in the plan or contracts, the delivery priorities must be strictly observed, especially those for production of manufacturing equipment, the export trade, and housing construction. It is urgent to make exemplary deliveries of metal for all manufacturing equipment for investment capacities with activation dates this year and in the first quarter of 1980. To this end, the Galati, Tirgoviste and Resita ferrous metals combines and the Republica Pipes Enterprise must arrange to manufacture and deliver all varieties for this purpose as soon as possible. Emphasis must also be placed on delivery of products essential to the punctual completion of operations in the fall harvesting campaign, such as spare parts, tires etc.

2. Some shortcomings in fulfillment of economic contracts are due to poor interplant cooperation and collaboration. Some installations cannot be delivered because some subassemblies or products have not been delivered by partners, particularly electric motors not delivered by the Bucharest Electric Motors Enterprise, pumps not delivered by the Capital Pumps Enterprise and control boards and panels and apparatus not delivered by the Titu Enterprise for Electric Installation Apparatus, the Alexandria Enterprise for Electric Control Boards and Panels, and Bucharest Automatica. To recover the arrears, the MICH [Ministry of the Machine Building Industry] and the respective industrial centrals must revise all schedules of cooperative

deliveries for the completion of all composite and manufacturing equipment. Such problems also occur in the light and chemical industries and in production of construction materials, and they must be resolved at once.

3. Punctual completion of investment projects also depends upon punctual supply of construction materials according to the economic contracts. The competent organs should be particularly concerned about the big arrears in deliveries of cement from the Deva Binder Enterprise, which deliveries amount to over 125 million lei out of the current contracts, those of large panels and other products from the Bucharest Granitul Enterprise, which has arrears of about 20 percent out of the contracts due, those of technical-sanitation products from the Ploiesti Feroemail Enterprise, and those of electric cables and wires from Tirgu Mures Electromures and the Bucharest ICME [Enterprise for Cables and Electrical Insulation Materials].

4. There are serious problems in a number of economic sectors due to overdue deliveries of spare parts for both manufacturing equipment and transportation means. More serious problems are caused by the large arrears in delivery of spare parts for metallurgical equipment, amounting to 20-30 percent of the contracts, on the part of Bucharest Heavy Machinery Enterprise, Bucharest 23 August, and Resita Constructions and Installations Enterprise. The rate of deliveries of spare parts for mining equipment is also unsatisfactory, especially on the part of the Satu Mare Unio Enterprise (over 25 percent arrears in contracts), as well as those for petroleum equipment by the Ploiesti 1 May Enterprise (arrears over 60 percent) and the Cimpina IM [Mining Enterprise] (arrears over 33 percent). In its turn, the operation of the motor vehicle park for hauling goods is impaired by the way spare parts are delivered by the Brasov Truck Enterprise, with arrears of over 25 percent in the contracts, and by the Sibiu IPA [Auto Parts Enterprise] (30 percent) and other units under both the MCM and other ministries. In the matter of spare parts it is clear that intensive operation of machines in the inventory is the best way to increase production and consequently spare parts must be supplied on a priority basis, even ahead of any other new equipment. We feel the production and delivery schedules of spare parts for all categories of machines, equipment and installations.

More Prompt Preparations for Production in 1980

The tasks to complete preparation of the material base of the plan for 1980 by concluding all the economic contracts are particularly urgent because the contracts enable every enterprise to know in advance the allocation of its own output and its material resources as well as its sources and dates of supply, permitting a thorough, analytical preparation of the manufacturing schedules. What do the overall figures on the progress of this effort tell us? Throughout all industry about 85 percent of the total commodity output planned for domestic consumption is now contracted for. It can be said that contracting for the output for domestic consumers is practically finished in a number of main sectors of the economy, contracting for the commodity output being 96-100 percent complete. We should mention here the prompt

and efficient performance of the economic units, industrial centrals and ministry staffs in the mining, petroleum and gas industry, the electric power industry, light industry and the food industry. Moreover the enterprises and combines of the chemical industry completed the allocation of more than 90 percent of the planned commodity output on the basis of economic contracts by the beginning of this month.

But there are still some lags in key sectors of the economy requiring concerted efforts to solve some problems holding up the contracting effort:

- It is most urgent to speed up preparation of the documentation for investment projects, which is needed to determine the requirement for materials and consequently to conclude the contracts for machinery, equipment and installations, for the metallurgical and other materials to manufacture this equipment, and for the materials used in construction-installation operations. In the case of manufacturing equipment alone, we must say that a great deal of the documentation has not yet been sent to the builders. About 20 percent of the total volume for next year has yet to be sent by the Ministry of the Metallurgical Industry and over 25 percent by the Ministry of the Chemical Industry and by the Ministry of Mines, Petroleum and Geology, the Ministry of Forestry Economy and Construction Materials, et al. Without this documentation the plants making manufacturing equipment obviously cannot draft their specifications for metal. This holds up the whole finalization of the ferrous metal combines' manufacturing schedules as well as conclusion of the contracts with the receivers of the metal.

The same is true of the documentation for construction-installation operations, which is needed to determine the construction units' technical-material supply structure and to rationalize the transport flows of materials in large proportions of the total volume of shipping.

- The units consuming metal and especially the machine building units must be more punctual in delivering their specifications for standard sizes and grades, in conformity with the approved consumption norms and indices and of course in correlation with physical production. Actually two kinds of problems arise here. In the first place, in the absence of manufacturing plans for some equipment, the orders with prepared plans should be filled in the first half of 1980 and at least the specifications for the first half should be expedited. On the other hand, if the amounts of the metal quotas are still under discussion, the varieties should be specified as soon as possible in conformity with the quantities set for the entire year, the requirement according to the current production structure should be specified in detail for the first half, and the regularizations should be made later for the second half or partially even for the second quarter of 1980.

- It is highly important to carry out the task assigned at the recent Working Conference of the Party Central Committee to draft the plan not only according to centrals but also according to counties. Accordingly the central coordinating organs jointly with the sector ministries must clear up

all problems of the technical-material supply plan with each industrial central within a few days. This will make it possible henceforth to specify all the parameters and indices of this section of the plan according to enterprises, so that the contracting program can be completed. Determination of these factors for each enterprise makes it possible to start implementing the sales and supply plan according to counties at once, on the basis of firm economic contracts.

- Since some economic contracts concluded so far are open-ended (especially in the chemical, light and other industries), in the present stage it is necessary to begin specifying all the points required by law for the economic contract, so that all these contracts will be binding.

- It is also a priority task of both the foreign trade enterprises and the production units, industrial centrals and ministries to expedite conclusion of contracts with foreign partners.

Along with the extensive measures adopted to completely fulfill the delivery contracts for this year in the agreed physical structure, it should be noted that the measures provided by the Law on Economic Contracts, with the improvements ratified during this year, provide the necessary framework for a thorough and better preparation of the technical-material base of the plan for next year. The distinctive feature of the series of provisions in the Law on Economic Contracts, as supplemented and modified, is the economic units' greater responsibility for concluding and implementing contracts in accordance with the general idea of emphasizing enterprises' self-administration and developing every unit's initiative as part of the process of uniform planned management of the national economy.

One of the first points it is important to note is development of the role of the economic contract as a planning instrument. The plan-contract relationship and the priority of one of these instruments over the other are often discussed in the field of economic activity. The law clearly states that the contracts are to be concluded on the basis of the tasks assigned in the five-year plan, before the start of the period of implementation, so that when the annual plans are updated all steps will be taken to base the plan tasks on firm contracts.

What is the economic reason for these provisions? The economic contracts do not establish general relations but refer to particular products, with all their technical characteristics well defined in detail that the national plan cannot go into. Actually the contracts determine what is specifically necessary in the economy and consequently the output with an assured sale, in what quantities and within what time limits. It is evident that an annual plan based on contracts eliminates situations where the allocation of products is not completely determined and the supply resources are not known.

Direct collaboration between the parties to contracts and solution of all problems step by step are actually the only way to have a well-determined and substantiated production and sales plan and to secure an adequate

material base. Waiting for solutions "from above," thinking that "placement" of products not essential to the economy can be forced by the plan or other means, and keeping obsolete products in manufacture are in error and fail to meet the present standards of economic management. To be sure some priorities can be determined by the plan, and some policies calling for correction or revision of some contractual provisions, but that is no reason why the structure of the physical production plan and its material base should not be based upon the contractual relations among these units, in the light of the tasks and objectives in the plan.

In fact the greater role of the contracts in economic planning and management is also reflected in the institution of the system of 15-25 year contracts for the basic raw materials, as well as the contracts for the whole period of the five-year plan with breakdowns according to years. The increased efforts to carry out these regulations are intended to bring about more effective solution, both now and in the future, of the basic problems of production and sales and of securing the material base of the plan.

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PROVISIONS FOR TRAINING OF LABOR FORCE OUTLINED

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[Article by Gh. Raboaca: "Occupational Training and Improvement of Labor Force"]

[Text] Among the basic aims and tasks essential to the fundamental objective of the 1981-1985 Five-Year Plan (further implementation of the provisions of the RCP Program for Building the Fully Developed Socialist Society and for Romania's Advance Toward Communism), an important part is played by training and improving skilled personnel. As the Draft Directives say, in this period we shall try to "further develop all education in accordance with modern scientific and technical advances and with the provisions of the RCP Program to Train Personnel Essential to All Socioeconomic Fields and Sectors, and to keep improving qualifications, generalizing the process of retraining personnel, and enhancing all workers' occupational training."

As indicated by the foregoing, training and improving the labor force are constant and always urgent objectives. With complete understanding of the particular features of economic growth under the present scientific-technical revolution and the general requirements for the worker's participation in its benefits on a new basis, the RCP has emphasized training and improvement of skilled personnel in its program. Romania's practical experience in the 35 years since its liberation has completely justified this effort and confirmed its high effectiveness in developing both the productive forces as a whole and the social and production relations. From the strictly economic standpoint alone, economists estimate the contribution of manpower training and improvement at about 20-30 percent of the growth of the national income.

Though it is based on the considerable and sometimes decisive contribution that personnel training and improvement have made to economic growth and to construction of the new social order in general, the Draft Directives continued emphasis on personnel training and education has special implications that can by no means be overlooked. Thus manpower training and improvement are presented as a factor vital to the basic objective of the five-year plan,

but they are directly correlated not with each other but with all the basic aims and tasks of the five-year plan. Occupational training and its constant improvement are essential to higher technical and qualitative standards of material production, development and expansion of raw-material and energy resources and their better use, further modernization of production, the economic structure, industry, agriculture and transportation, science's greater contribution to rapid economic development, balanced development of the counties and regions of the nation, faster growth of labor productivity and the effectiveness of all economic activity and Romania's consequently increased participation in the world exchanges of values, and enhancement of the national income, the living standard, socialist democracy, and participation of the masses in the management of production and of all social activity.

The foregoing leads not only to the assertion that occupational training and improvement of the labor force are a common denominator of the aims and tasks in the Draft Directives, but also to the conclusion of direct practical importance that exemplary training of skilled personnel depends upon the contribution of society as a whole, of all fields of activity, of every ministry and central, and of every school and enterprise. Among the many problems requiring general participation of all elements in the economy in occupational training and improvement of the labor force, we shall discuss the most significant and important provisions on the Draft Directives, for the further contribution of manpower training to Romania's economic growth heavily depends upon their implementation.

1. The functions of occupational training and improvement in economic growth can be performed only if they are designed, organized and implemented in close correlation with the real requirements of the economy and of every sector and enterprise. Any discrepancy and especially an independent evolution of occupational training and improvement can leave the real socioeconomic needs unmet and can waste manpower, and in either case economic effectiveness and the nation's more rapid progress are impeded.

a. The vital requirement in the Draft Directives of securing a stable economic growth rate based upon widespread promotion of technical-scientific progress, more intensive use of material and human national resources, and more effective economic activity in all fields and sectors makes it necessary to include the broad masses of workers in occupational training and improvement. The Draft Directives call for occupational training of 1.75 million workers and 300,000 technicians, experts, engineers and other specialists. This will provide for occupational training of more than 2 million workers to meet the skilled personnel requirement of all counties, regions and community of the nation and of all sectors of the national economy, accompanied by improvement of the personnel structure according to categories, trades and professions, which can also help considerably in performing a more efficient activity in every capacity, existing or under construction.

b. The Draft Directives closely correlate occupational training not only with the rate of socioeconomic development but also with the extent of modernization of the economic structure, accurately reflecting the effect it

will have upon the manpower employment and training structure. In 1985, out of the 11.5 million inhabitants that will be employed in the national economy, about 22 percent will be working in agriculture and 78 percent in the nonagricultural sectors (of which industry, construction and transportation will be 74 percent, education, culture, science and health will be over 10 percent, and services and other activities about 16 percent). Then over 90 percent of the first-stage pupils will be in industrial and agroindustrial high schools, while in professional education emphasis will be placed on training skilled workers in the basic trades for a number of sectors such as machine building, the metallurgical, mining, petroleum and construction materials industries, construction-installation, and in the agricultural trades.

In connection with occupational training and improvement in close correlation with practical socioeconomic requirements, it should be mentioned that in the overall development of higher education the Draft Directives provide a wide range of technical education in general and education to meet the needs of specialists in the most intensively developed sectors in particular.

c. But the Draft Directives include highly important provisions not only for occupational training of new personnel contingents but also for occupational improvement of the existing labor force in the national economy. This is natural in view of the rapid scientific-technical progress of the modern world and its consistent application to socialist Romania's socioeconomic progress, which render the scientific-professional disciplines obsolete and thus make it objectively necessary to periodically refresh every worker's knowledge of the scientific disciplines, especially the professional ones, in any sector of activity. To this end the Draft Directives provide retraining of 2 million workers a year in 1981-1985, so that over 10 million workers can be professionally improved in the course of 5 years. Practically speaking, this means that all categories of personnel in the economy, science, culture, and all levels of all social activity will be retrained in the next five-year plan.

The agricultural labor force is also included in this area of occupational improvement. The Draft Directives accordingly provide "considerable improvement in the professional training both of the farmers and of the specialists and technicians" in keeping with the aims and tasks of intensified modernization of production in this important sector of the national economy. Naturally this will better coordinate the cultural-scientific training of the labor force with the constantly rising technical-scientific level of our agriculture.

Basing the requirements of our socioeconomic development upon occupational training and improvement of the labor force makes greater demands on planning. We know from practical experience that not enough time is always allowed between preparation of the production plan and the plan to meet the manpower requirement so that the best form of occupational training and improvement can be used in each case. Better reflection in advance of this objective correlation in each enterprise's economic plan is a major requirement for implementing the Draft Directives' provisions on punctual activation of the new capacities and the policy of regional distribution of the productive forces and use of natural resources in the economy, for operating

the existing capacities and the modern machines, equipment and installations at maximum parameters, for widely promoting mechanization, automation and the new methods, for raising the technical and qualitative levels of production and for intensifying the exploitation of raw materials and materials.

2. Of course the extension of occupational training and improvement to practically the whole employed population (workers and farmers, technicians, experts, engineers, and other specialized personnel in all economic sectors) is only the quantitative, numerical aspect of the provisions. In addition to this quantitative, all-inclusive aspect of occupational training and improvement, the Draft Directives also emphasize the qualitative aspect, the enhancement of the occupational training and improvement of personnel, farmers and the whole employed population. In this connection we note that occupational training and improvement primarily depends upon schools and further development and modernization of all levels of education and that the whole generation of eighth-grade graduates is to enter the first stage of high school, while the number of pupils entering the second stage of high school is to be raised to 70 percent, so that preparations for generalized high school education will begin after 1985.

These two provisions will help to improve workers occupational training. It is sufficient to say that in the first five-year plans this training was based on the 4-year and later 7-year general schools, especially in combination with mastery of a trade through on-the-job experience and courses, but in the next five-year plan skilled workers will be trained either on the basis of 10 grades of school largely combined with trade school and training in courses, or on the basis of 12 grades of school followed by various forms of occupational training as needed.

3. Enhancement of occupational training and improvement also depends upon the way the requirements of socioeconomic development are reflected in the process of education and instruction as such. From this standpoint, the Draft Directives say in reference to the development and aims of higher education that the main emphasis will be placed upon "its further improvement, its integration with production and research, and thorough training of the students to meet the requirements of technical progress and socioeconomic development in Romania in the present stage and in the future."

Without being expressly formulated, this requirement for improving and adjusting the process of occupational training and improvement applies not only to higher education but also to the other stages of high-school and professional education. In view of the necessity of more complete use of the working time of workers and modern installations, it is pointed out that they must be able to perform operations of adjustment, technical servicing and maintenance of their machines and equipment under the best conditions.

The express or implied references in the Draft Directives to the need of adapting occupational training and improvement to the requirements of the economy have many implications. To consider the theoretical disciplines first, we should say that they play a decisive part in securing the

professional flexibility of the labor force, which will be increasingly necessary because in the period to which the Draft Directives refer there will be an intensive modernization of the economic structure and the production of the sectors, subsectors and of course of the enterprises, wherein promotion of technical-scientific progress will inevitably change the allocation of the existing labor force. Therefore we also think that in proportioning and organizing the theoretical disciplines more consideration should be given to the criterion of flexibility of the labor force, since the latter is an increasingly important way of meeting the greater needs of economic growth with the least possible addition to the labor force.

The problem of mastery of the practical disciplines in the course of occupational training and improvement is equally important. Without sound practical disciplines it is impossible to provide for the rapid and most effective integration of the labor force in social production, and it is difficult to rapidly recover (through productivity raised to the socially necessary level) the time society has "stolen" from production to allocate it to education in general and to occupational, high-school and higher education in particular.

We feel explanation of just a few of the implications of some discrepancies between the practical requirements and the content of occupational training and improvement is illustrative enough when the enterprises are encountering more and more difficulties in filling the manpower requirement. These difficulties can be diminished or overcome if the enterprises and schools (including their supervisory organs) will provide as soon as possible for adequate experience once the theoretical disciplines have been acquired, for better determination of high-school curricula, better correlation between the stages of high-school education and, finally, a more definite occupational orientation from the first stage of high school. All these methods, besides others not mentioned here, can curtail desertions of trades and instability of youth in some trades and they can prevent an artificial increase in the requirement for skilled personnel, useless outlays on occupational training on the part of society, and considerable losses to enterprises in production and productivity.

The effort of all those engaged in providing exemplary occupational training and improvement to remedy the defects that still exist in this field is entirely in keeping both with the requirements of the new economic mechanism and application of economic-financial self-management and self-administration and with the tasks and aims in the Draft Directives to enhance the productive forces and the level of knowledge and action of the individual of Romanian socialist society.

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